

# Internal Revenue bulletin

Bulletin No. 1999-2  
January 11, 1999

## HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### INCOME TAX

Rev. Rul. 99-1, page 4.

Low-income housing credit; satisfactory bond; "bond factor" amounts for the period October through December 1998. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period October through December 1998.

Rev. Rul. 99-2, page 5.

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate. For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for January 1999.

### EMPLOYEE PLANS

Notice 99-1, page 8.

Qualified pension and profit-sharing plans; use of new technologies in plan administration. This notice provides guidance to sponsors and administrators of retirement plans that are intended to be qualified under section 401(a) of the Code regarding the use of electronic media for conducting certain transactions involving plan participants and beneficiaries.

Announcement 99-2, page 44.

This announcement describes a method whereby employees who are employed by an employer who does not maintain any form of retirement program may establish IRAs.

### EMPLOYMENT TAX

Notice 99-3, page 10.

Temporary Assistance for Needy Families; gross income; earned income credit; wages. This notice addresses the federal income and employment tax consequences of payments received by individuals with respect to certain work activities performed in state programs under part A of title IV of the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("Temporary Assistance for Needy Families").

Rev. Proc. 99-10, page 11.

Failure to deposit federal tax; penalties. This procedure describes how a taxpayer may designate the application of its federal tax deposits for a particular return period in order to minimize the failure-to-deposit penalty under section 6656 of the Code with respect to deposits required to be made after January 18, 1999.

### ADMINISTRATIVE

Rev. Proc. 99-11, page 14.

Low-income housing credit; alternative collateral program. This procedure announces the establishment of a collateral program allowing taxpayers to pledge certain United States Treasury securities in lieu of providing a surety bond to avoid or defer recapture of low-income housing tax credits.

Rev. Proc. 99-9, page 17.

Electronic filing; magnetic media. Specifications are set forth for the magnetic or electronic filing of 1998 Forms 8596. The forms may be filed with the Service using magnetic tape; tape cartridges; 8 mm, 4 mm, and quarter-inch cartridges; 3½-inch diskettes; or electronic filing through the Information Reporting Program Bulletin Board System (IRB-BBS). Rev. Proc. 94-56 superseded.

Notice 99-2, page 8.

Abatement of interest; Presidentially declared disasters. Taxpayers are informed of the Service's application of interest abatement relief under section 915 of the Taxpayer Relief Act of 1997, as amended, and under section 6404(h) of the Code, for certain eligible taxpayers located in areas declared by the President to be disasters.

Announcement 99-1, page 41.

The Service requests comments on a proposed update of Rev. Proc. 65-17, 1965-1 C.B. 833, regarding the extent to which taxpayers whose income has been adjusted under section 482 of the Code may make certain adjustments to conform their accounts to reflect the section 482 allocation.

Announcement 99-7, page 45.

Optional standard mileage rates; effective date. Taxpayers are informed that the Service is postponing until April 1, 1999, the effective date of the 31 cents-per-mile business standard mileage rate established in Rev. Proc. 98-63, 1998-52 I.R.B. 25. Rev. Proc. 98-63 modified.

Finding Lists begin on page 47.



Department of the Treasury  
Internal Revenue Service

# Mission of the Service

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

## Statement of Principles of Internal Revenue Tax Administration

The function of the Internal Revenue Service is to administer the Internal Revenue Code. Tax policy for raising revenue is determined by Congress.

With this in mind, it is the duty of the Service to carry out that policy by correctly applying the laws enacted by Congress; to determine the reasonable meaning of various Code provisions in light of the Congressional purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when we ascertain and apply the true meaning of the statute.

The Service also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised by examining officers when they have merit, never arbitrarily or for trading purposes. At the same time, the examining officer should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Service position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

# Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

## Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

## Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

## Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

## Part IV.—Items of General Interest.

With the exception of the Notice of Proposed Rulemaking and the disbarment and suspension list included in this part, none of these announcements are consolidated in the Cumulative Bulletins.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a quarterly and semiannual basis, and are published in the first Bulletin of the succeeding quarterly and semiannual period, respectively.

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For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 32.—Earned Income

26 CFR 1.32-2: Earned income credit for taxable years beginning after December 31, 1978.

Are payments received by individuals with respect to certain work activities performed in state programs under part A of title IV of the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (“Temporary Assistance for Needy Families”) earned income for purposes of the earned income credit. See Notice 99-3, page 10.

term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, page 5.

**Low-income housing credit; satisfactory bond; “bond factor” amounts for the period October through December 1998.** This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period October through December 1998.

Rev. Rul. 99-1

In Rev. Rul. 90-60, 1990-2 C.B. 3, the Internal Revenue Service provided guidance to taxpayers concerning the general

methodology used by the Treasury Department in computing the bond factor amounts used in calculating the amount of bond considered satisfactory by the Secretary under § 42(j)(6) of the Internal Revenue Code. It further announced that the Secretary would publish in the Internal Revenue Bulletin a table of “bond factor” amounts for dispositions occurring during each calendar month.

This revenue ruling provides in Table 1 the bond factor amounts for calculating the amount of bond considered satisfactory under § 42(j)(6) for dispositions of qualified low-income buildings or interests therein during the period October through December 1998.

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-

Table 1 Rev. Rul. 99-1 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits												
Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year												
Month of Disposition	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Oct ‘98	61.09	75.25	74.73	76.61	78.85	81.41	84.01	86.47	88.89	91.53	94.25	97.21
Nov ‘98	61.09	75.25	74.54	76.41	78.65	81.20	83.79	86.25	88.68	91.33	94.09	97.21
Dec ‘98	61.09	75.25	74.35	76.22	78.45	80.99	83.58	86.04	88.47	91.14	93.94	97.21

For a list of bond factor amounts applicable to dispositions occurring during other calendar years, see the following revenue rulings: Rev. Rul. 95-83, 1995-2 C.B. 8, for dispositions occurring during calendar year 1995; Rev. Rul. 98-3, 1998-2 I.R.B. 4, for dispositions occurring during the calendar years 1996 and 1997; Rev. Rul. 98-13, 1998-11 I.R.B. 4, for dispositions occurring during the period January through March 1998; Rev. Rul. 98-31, 1998-25 I.R.B. 4, for dispositions occurring during the period April through June 1998; and Rev. Rul. 98-45, 1998-38 I.R.B. 4, for dispositions occurring during the period July through September 1998.

Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. Malgeri at (202) 622-3040 (not a toll-free call).

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, page 5.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted federal long-term rate is set forth for the month of January 1999. See Rev. Rul. 99-2, page 5.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, page 5.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, page 5.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-

DRAFTING INFORMATION

The principal author of this revenue ruling is Jack Malgeri of the Office of As-

term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-

term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99-2, on this page.

## Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

**Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term exempt rate.** For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for January 1999.

### Rev. Rul. 99-2

This revenue ruling provides various prescribed rates for federal income tax purposes for January 1999 (the current

month.) Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the deemed rate of return for transfers made during calendar year 1999 to pooled income funds described in section 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer is made.

REV. RUL. 99-2 TABLE 1

Applicable Federal Rates (AFR) for January 1999

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	4.57%	4.52%	4.49%	4.48%
110% AFR	5.03%	4.97%	4.94%	4.92%
120% AFR	5.49%	5.42%	5.38%	5.36%
130% AFR	5.97%	5.88%	5.84%	5.81%
<i>Mid-Term</i>				
AFR	4.64%	4.59%	4.56%	4.55%
110% AFR	5.11%	5.05%	5.02%	5.00%
120% AFR	5.59%	5.51%	5.47%	5.45%
130% AFR	6.06%	5.97%	5.93%	5.90%
150% AFR	7.01%	6.89%	6.83%	6.79%
175% AFR	8.19%	8.03%	7.95%	7.90%
<i>Long-Term</i>				
AFR	5.21%	5.14%	5.11%	5.09%
110% AFR	5.73%	5.65%	5.61%	5.58%
120% AFR	6.27%	6.17%	6.12%	6.09%
130% AFR	6.79%	6.68%	6.63%	6.59%

REV. RUL. 99-2 TABLE 2  
Adjusted AFR for January 1999

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.08%	3.06%	3.05%	3.04%
Mid-term adjusted AFR	3.86%	3.82%	3.80%	3.79%
Long-term adjusted AFR	4.70%	4.65%	4.62%	4.61%

REV. RUL. 99-2 TABLE 3

Rates Under Section 382 for January 1999

Adjusted federal long-term rate for the current month	4.70%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	4.70%

REV. RUL. 99-2 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for January 1999

Appropriate percentage for the 70% present value low-income housing credit	8.15%
Appropriate percentage for the 30% present value low-income housing credit	3.49%

REV. RUL. 99-2 TABLE 5

Rate Under Section 7520 for January 1999

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	5.6%
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REV. RUL. 99-2 TABLE 6

Deemed Rate for Transfers to New Pooled Income Funds During 1999

Deemed rate of return for transfers during 1999 to pooled income funds that have been in existence for less than 3 taxable years	6.8%
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## Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99–2, page 5.

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## Section 3121.—Definitions

*26 CFR 31.3121(a)–1: Wages.*

Are payments received by individuals with respect to certain work activities performed in state programs under part A of title IV of the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (“Temporary Assistance for Needy Families”) wages for purposes of federal employment taxes. See Notice 99–3, page 10.

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## Section 6302.—Mode or Time of Collection

*26 CFR 1.6302–2: Use of Government depositaries for payment of tax withheld on nonresident aliens and foreign corporations.*

*26 CFR 31.6302–1: Federal tax deposit rules for amounts withheld under the backup withholding requirements of section 3406 for payments made after December 31, 1992.*

*26 CFR 31.6302–2: Federal tax deposit rules for amounts withheld under the Railroad Retirement Act (R.R.T.A.) attributable to payments made after December 31, 1992.*

*26 CFR 31.6302–4: Federal tax deposit rules for withheld income taxes attributable to nonpayroll payments made after December 31, 1993.*

*26 CFR 31.6302(c)–3: Use of Government depositaries in connection with tax under the Federal Unemployment Tax Act.*

*26 CFR 40.6302(c)–1: Use of Government depositaries.*

Guidance is provided regarding how a taxpayer may designate the application of its federal tax deposits for a particular return period in order to minimize the failure-to-deposit penalty with respect to deposits required to be made after January 18, 1999. See Rev. Proc. 99–10, page 11.

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## Section 6656.—Failure to Make Deposit of Taxes

*26 CFR 301.6656–1: Penalty for underpayment of deposits.*

Guidance is provided regarding how a taxpayer may designate the application of its federal tax deposits for a particular return period in order to minimize the failure-to-deposit penalty with respect to deposits required to be made after January 18, 1999. See Rev. Proc. 99–10, page 11.

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## Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99–2, page 5.

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## Section 7872.—Treatment of Loans With Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1999. See Rev. Rul. 99–2, page 5.

## Part III. Administrative, Procedural, and Miscellaneous

### New Technologies in Retirement Plan Administration

#### Notice 99-1

This notice provides guidance to sponsors and administrators of retirement plans that are intended to be qualified under section 401(a) of the Internal Revenue Code regarding the use of electronic media for conducting certain transactions involving plan participants and beneficiaries.

#### USE OF ELECTRONIC MEDIA

The administration of a qualified plan involves a variety of transactions between the plan and plan participants and beneficiaries for which the Code and the Income Tax Regulations do not set forth rules or standards regarding the media through which such transactions may be conducted. Such transactions include (but are not necessarily limited to) enrolling in the plan, designating rates of elective and after-tax contributions, designating beneficiaries (other than designations requiring spousal consent), electing direct rollovers, electing investment allocations for future contributions, changing investment allocations for amounts held under the plan, inquiring about general plan information (such as investment options and distribution options), and inquiring about account information (such as current account balances and current investment allocations).

As a result of developments in electronic technologies, a variety of electronic media (such as e-mail, the Internet, intranet systems, and automated telephone systems) are now available for many plan transactions such as those described above.

#### LAW AND ANALYSIS

Section 401(a), the regulations, and other guidance of general applicability thereunder set forth the requirements pursuant to which a trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of the employer's employees or their beneficiaries will constitute a qualified trust.

Section 401(k), the regulations, and other guidance of general applicability thereunder set forth the requirements that a cash or deferred arrangement must satisfy in order to be a qualified cash or deferred arrangement.

Section 7805(d) provides that, except to the extent otherwise provided by Title 26 of the United States Code, any election under Title 26 shall be made at such time and in such manner as the Secretary shall prescribe.

Revenue Procedure 98-25, 1998-11 I.R.B. 7, specifies the basic requirements that the Service considers to be essential in cases where a taxpayer's records are maintained within Automated Data Processing systems. Section 3.01(1) of Rev. Proc. 98-25 provides that the requirements of the revenue procedure apply to employee plans.

Rev. Proc. 97-22, 1997-1 C.B. 652, provides guidance to taxpayers maintaining books and records by using an electronic storage system that either images their hardcopy (paper) books and records, or transfers their computerized books and records, to an electronic storage medium, such as an optical disk. Section 3.02 of Rev. Proc. 97-22 provides that the requirements of the revenue procedure apply to employee plans.

No provision of § 401(a), the regulations, or other published guidance thereunder requires that participant enrollments, contribution elections, beneficiary designations (other than designations requiring spousal consent), direct rollover elections, or the other transactions described above be conducted through written paper documents, or prohibits conducting such transactions through electronic media. Similarly, no provision of § 401(k), the regulations, or other published guidance thereunder requires a cash or deferred election to be made through written paper documents or prohibits making such an election through electronic media.

Therefore, a plan does not fail to meet the requirements of § 401(a) merely because it permits a participant or beneficiary to use electronic media for such transactions, and an arrangement does not fail to be a qualified cash or deferred arrangement under § 401(k) merely be-

cause a participant may make cash or deferred elections through electronic media.

This notice does not address the use of electronic media for any transaction for which a specific provision of the Code, the regulations, or other guidance of general applicability sets forth rules or standards regarding the media through which such transaction may be conducted (e.g., § 402(f)). Proposed regulations are being issued to address the use of electronic media for certain notices and consents required under §§ 402(f), 411(a)(11), and 3405.

Additionally, this notice does not address the application of Title I of ERISA to the use of electronic media for any transactions involving plan participants and beneficiaries.

#### DRAFTING INFORMATION

The principal authors of this notice are Catherine Livingston Fernandez of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations) and Daniel S. Evans of the Employee Plans Division. For further information regarding this notice, contact the Employee Plans Division's telephone assistance service between 1:30 and 4:00 p.m., Eastern Time, Monday through Thursday at (202) 622-6074/75, or Ms. Fernandez at (202) 622-6030. (These telephone numbers are not toll-free).

### Abatement of Interest for Individual Taxpayers in Presidentially Declared Disaster Areas

#### Notice 99-2

#### PURPOSE

This notice informs taxpayers of the Internal Revenue Service's application of interest abatement relief provided under § 915 of the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788, 879 ("TRA 1997"), as clarified by § 4003(e) of the Tax and Trade Relief Extension Act of 1998, Pub. L. No. 105-277, 112 Stat. 2681 ("TTREA 1998"), and under § 6404(h) of the Internal Revenue Code, as added by § 3309 of the Internal Rev-



venue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685, 745 ("RRA 1998"). In particular, it advises certain individual taxpayers who may be eligible for interest abatement how the Service intends to administer such relief. Individual taxpayers who may be eligible for such relief include those who: (a) were located in any area that the President has determined during 1998 warrants assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5204c (1994) ("Stafford Act"); and (b) were granted extensions of time to file federal income tax returns for taxable years beginning before January 1, 1998, and to pay federal income tax with respect to such returns.

## BACKGROUND

As originally enacted, § 915 of TRA 1997 provided that if any individual taxpayer located in a Presidentially declared disaster area is granted an extension of time to file federal income tax returns under § 6081 of the Internal Revenue Code and to pay federal income tax under § 6161, the Service will abate, for the period of an extension, the assessment of any interest prescribed under § 6601 on that income tax. The term "individual" excludes estates and trusts. The term "Presidentially declared disaster area" is defined as any area that the President has determined during 1997 warrants assistance by the Federal Government under the Stafford Act.

Similarly, § 6404(h), enacted as part of RRA 1998, provides that if any taxpayer located in a Presidentially declared disaster area is granted an extension of time to file federal income tax returns under § 6081 and to pay federal income tax under § 6161, the Service will abate, for the period of an extension, the assessment of any interest prescribed under § 6601 on that income tax. Unlike § 915 of TRA 1997, § 6404(h) applies to any taxpayer (including, for example, trusts, estates, and corporations) and is not limited to individual taxpayers. The term "Presidentially declared disaster area" is defined as any area that the President has determined warrants assistance by the Federal Government under the Stafford Act.

As originally enacted, § 915 of TRA 1997 applied only to disasters declared during 1997. Section 6404(h) applies to disasters declared after December 31, 1997, but only with respect to taxable years beginning after December 31, 1997. Thus, it was unclear whether abatement of interest was authorized for disasters declared after December 31, 1997, with respect to taxable years beginning before January 1, 1998. For example, if the President declared Area A to be a disaster area in March 1998, and the due date for filing 1997 federal income tax returns and for paying federal income tax was extended accordingly by the Service, it was unclear whether the Service would have been authorized under either provision to abate interest for an individual taxpayer located in Area A with respect to that individual's 1997 federal income tax return.

However, Congress specifically intended that no gap in interest abatement relief for individual taxpayers exist between the two provisions. See H.R. Conf. Rep. No. 599, 105th Cong., 1st Sess. at 262 (1998). Therefore, Congress clarified that no gap exists by enacting § 4003(e) of TTREA 1998. This provision amends § 915 of TRA 1997 by defining the term "Presidentially declared disaster area" to include disasters declared in 1998 as well as 1997.

## ABATEMENT OF INTEREST

In accordance with the provisions described above, the Service will abate interest in the following circumstances:

1. *Taxable years beginning before January 1, 1998.* The Service will abate, for the period of an extension, the assessment of interest on federal income tax for individual taxpayers (excluding trusts and estates) who: (a) were located in any area that the President has determined during 1997 or 1998 warrants assistance by the Federal Government under the Stafford Act; and (b) were granted extensions of time to file federal income tax returns for taxable years beginning before January 1, 1998, and to pay federal income tax with respect to such returns. The authority for abating interest in such circumstances is § 915 of TRA 1997, as clarified by § 4003(e) of TTREA 1998.

Because of the potential gap in interest abatement relief that existed before the

clarification made by § 4003(e) of TTREA 1998, some individual taxpayers may have been assessed interest with respect to returns for taxable years beginning before January 1, 1998, if they were located in areas the President determined in 1998 to be disaster areas. Such taxpayers may be eligible for the abatement of such interest. The Service will, to the extent possible, identify such taxpayers, make appropriate adjustments to their accounts, notify the taxpayers of any such adjustments, and where appropriate, refund interest paid. The Service expects that the majority of these adjustments will be completed by the end of 1999. Individual taxpayers who are eligible for abatement of interest, but who are not notified by the end of 1999 that interest has been abated, should call IRS Customer Service at 1-800-829-1040 (toll-free) to request abatement of interest. Eligible taxpayers may also file a Form 843, *Claim for Refund and Request for Abatement*, with the Service Center where the taxpayer's tax return was filed. Taxpayers should note that, generally, they must file a claim for refund of interest within three years of the filing of a tax return, or within two years of the payment, whichever period expires later. See § 6511(a).

2. *Taxable years beginning after December 31, 1997.* The Service will abate, for the period of an extension, the assessment of interest on federal income tax for all taxpayers who: (a) were located in any area that the President has determined after December 31, 1997, warrants assistance by the Federal Government under the Stafford Act; and (b) were granted extensions of time to file federal income tax returns for taxable years beginning after December 31, 1997, and to pay federal income tax with respect to such returns. The authority for abating interest in such circumstances is § 6404(h).

## DRAFTING INFORMATION

The principal author of this notice is Sara Shepherd of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this notice, contact Sara Shepherd at (202) 622-4910 (not a toll-free call).

## Treatment of Certain Payments Received as Temporary Assistance for Needy Families (TANF)

Notice 99-3

### SECTION 1. PURPOSE

This notice addresses the federal income and employment tax consequences of payments received by individuals with respect to certain work activities performed in state programs under part A of title IV of the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Pub. L. No. 104-193, 110 Stat. 2105 (August 22, 1996) (TANF payments). The notice sets forth certain conditions under which TANF payments are not income, earned income, or wages for federal income and employment tax purposes. The Treasury Department and the Internal Revenue Service intend to issue regulations that will address the federal income and employment tax consequences of TANF payments. It is generally expected that the regulations will be consistent with this notice and, therefore, will be effective retroactively, to this extent, to December 17, 1998.

### SECTION 2. SCOPE

This notice addresses only the treatment of TANF payments under certain income and employment tax provisions of the Internal Revenue Code. Because this notice is based on the "general welfare doctrine" (see section 4.01, below), which is unique to the determination of federal tax liability, this notice does not determine the treatment or effect of TANF payments (or determine whether an employment relationship exists) under any other provision of law, including the Fair Labor Standards Act and other federal and state employment laws. For purposes of the analysis set forth herein, however, it is assumed that the recipient of the TANF payments is a common law employee. This notice does not reach a determination as to whether the recipient of TANF payments is a common law employee or is self-employed.

### SECTION 3. BACKGROUND

Congress reformed the welfare system

through the enactment of PRWORA, which replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). AFDC required individuals to perform some work activities in order to continue to receive public assistance. TANF provides states with more flexibility than they had under AFDC to determine basic eligibility rules and benefit amounts. TANF also requires that specified percentages of individual recipients engage in work activities and imposes penalties on the states for non-compliance with that requirement.

For purposes of TANF, the term "work activities" is defined under § 407(d) of the Social Security Act, 42 U.S.C. § 607(d), as:

- (1) unsubsidized employment;
- (2) subsidized private sector employment;
- (3) subsidized public sector employment;
- (4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;
- (5) on-the-job training;
- (6) job search and job readiness assistance;
- (7) community service programs;
- (8) vocational educational training (not to exceed 12 months with respect to any individual);
- (9) job skills training directly related to employment;
- (10) education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency;
- (11) satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate; and
- (12) the provision of child care services to an individual who is participating in a community service program.

### SECTION 4. TREATMENT OF TANF PAYMENTS

#### .01 General Analysis.

The federal income and employment tax consequences of TANF payments generally are determined under the following analysis.

Payments by a governmental unit to an individual under a legislatively provided social benefit program for the promotion of the general welfare that are not basically for services rendered are not includible in the individual's gross income and are not wages for employment tax purposes, even if the individual is required to perform certain activities to remain eligible for the payments. See Rev. Rul. 71-425, 1971-2 C.B. 76; Rev. Rul. 75-246, 1975-1 C.B. 24. Similarly, these payments are not earned income for Earned Income Credit (EIC) purposes. If, however, taking into account all the facts and circumstances, payments by a governmental unit are basically compensation for services rendered, even though some training is provided, then the payments are includible in the individual's gross income and are generally wages for employment tax purposes. Rev. Rul. 75-246, 1975-1 C.B. 24. Similarly, such payments generally are earned income for EIC purposes.

In addition, § 32(c)(2)(B)(v) of the Internal Revenue Code (as added by § 1085(c) of the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788 (August 5, 1997), and effective for taxable years beginning after December 31, 1997) provides that earned income for EIC purposes does not include amounts received for "service performed in work activities as defined in paragraph (4) or (7) of section 407(d) of the Social Security Act to which the taxpayer is assigned under any State program under part A of title IV of such Act, but only to the extent such amount is subsidized under such State program."

#### .02 Application of General Analysis to Certain TANF Payments.

Due to the flexibility TANF affords states to determine basic eligibility rules and benefit amounts, a TANF payment may be made both for the promotion of the general welfare and as compensation for services. In these cases, it is extremely difficult to characterize the basic purpose of the payments. It is also not practically feasible to determine the relative proportion of the payment each purpose represents.

In many of these cases, TANF payments are received in lieu of (and generally in amounts no greater than) payments the individual formerly received or would

have received under AFDC based upon the individual's personal and family subsistence requirements. In these cases, the primary measure of the amount received is the personal or family need of the individual recipient rather than the value of any services performed.

These cases typically share, and can be identified by, common characteristics. In cases where the following three conditions are satisfied, TANF payments will be treated as made for the promotion of the general welfare and therefore will not be includible in an individual's gross income; will not be earned income for EIC purposes; and will not be wages for employment tax purposes:

(1) The only payments received by the individual with respect to the work activity are received directly from the state or local welfare agency (for this purpose, an entity with which a state or local welfare agency contracts to administer the state TANF program on behalf of the state will be treated as the state or local welfare agency);

(2) The determination of the individual's eligibility to receive any payment is based on need and the only payments received by the individual with respect to the work activity are funded entirely under a TANF program (including any payments with respect to qualified state expenditures (as defined in § 409(a)(7)-(B)(i)(I) of the Social Security Act)) and the Food Stamp Act of 1977; and

(3) The size of the individual's payment is determined by the applicable welfare law, and the number of hours the individual may engage in the work activity is limited by the size of the individual's payment (as determined by applicable welfare law) divided by the higher of the federal or state minimum wage.

The federal income and employment tax treatment of TANF payments that do not satisfy each of these three conditions is determined under the general analysis described in section 4.01, above.

## REQUEST FOR COMMENTS

The Treasury Department and the Service invite comments on this notice and on the future regulations. In particular, comments are requested on the three con-

ditions set forth in section 4.02 of this notice. Written comments should be submitted by February 15, 1999. An original and eight copies of written comments should be sent to:

Internal Revenue Service  
Attn: CC:DOM:CORP:R  
Room 5228 (IT&A:Br2)  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044.

or hand delivered between the hours of 8 a.m. and 5 p.m. to:

Courier's Desk  
Internal Revenue Service  
Attn: CC:DOM:CORP:R  
(Notice 99-3)  
Room 5228 (IT&A:Br2)  
1111 Constitution Avenue, NW  
Washington, D.C.

Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to:

[http://www.irs.ustreas.gov/prod/tax\\_regs/comments.html](http://www.irs.ustreas.gov/prod/tax_regs/comments.html) (the IRS internet site). All comments will be available for public inspection and copying in their entirety.

## FURTHER INFORMATION

For further information, contact Mr. Edwin B. Cleverdon at (202) 622-4920 regarding the income tax issues in this notice and Ms. Jean Casey at (202) 622-6060 regarding the EIC and employment tax issues in this notice (not toll-free calls).

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*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.*  
(Also Part I, sections 6302, 6656; 1.6302-2, 31.6302-1, 31.6302-2, 31.6302-4, 31.6302(c)-3, 40.6302(c)-1, 301.6656-1.)

## Rev. Proc. 99-10

### SECTION. 1. PURPOSE

This revenue procedure provides guidance with respect to the failure-to-deposit penalty provisions of § 6656 of the Internal Revenue Code, as amended by § 3304(a) of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 742 (1998) (RRA). This revenue procedure describes

how a taxpayer may designate the application of its federal tax deposits for a particular return period in order to minimize the failure-to-deposit penalty under § 6656 with respect to deposits required to be made after January 18, 1999.

## SECTION 2. BACKGROUND

.01 Section 6656 provides that in the case of any failure by any person to deposit (as required by the Code or regulations) on the date prescribed any amount of tax in a government depository, there will be imposed upon such person a penalty equal to the applicable percentage of the amount of the underpayment, unless it is shown that such failure is due to reasonable cause and not due to willful neglect. The penalty ranges from 2 to 15 percent depending upon the lateness of the deposit.

.02 Revenue Procedure 90-58, 1990-2 C.B. 642, effective for return periods beginning after March 31, 1991, provides that deposits for a return period will be applied in a date-made order against deposit liabilities in a due-date order. Thus, the Service will apply a deposit first to satisfy the oldest past due deposit liability within the same return period. Other credits to the taxpayer's account, such as an overpayment from the previous return period, will be similarly applied.

.03 The rationale underlying Rev. Proc. 90-58 is that it is generally in the best interest of depositors that strive to be compliant to have the oldest deposit liability in the return period satisfied first, thus preventing the penalty rate on that liability from escalating. However, if a depositor inadvertently misses a deposit early in a return period but makes all succeeding deposits on a timely basis, the result can be multiple failure-to-deposit penalties.

.04 Notice 98-14, 1998-8 I.R.B. 27, provides an interim procedure that taxpayers may use to request abatement of the failure-to-deposit penalty imposed by § 6656 when the deposit liabilities against which the Service applies deposits, as set forth in Rev. Proc. 90-58, produces multiple failure-to-deposit penalties as a result of a single failure to deposit. Under that notice, taxpayers that wish to request relief are instructed to call the toll-free number shown on the penalty notice. Notice 98-14 applies with respect to return periods beginning after December 31, 1997.



.05 Section 3304(a) of the RRA added new § 6656(e), which permits a taxpayer receiving a penalty notice (with respect to any deposit of tax made for a specific tax return period) to designate, during the 90-day period beginning on the date of a penalty notice, the deposit period or periods within the return period to which a deposit of tax shall apply. Pursuant to § 3304(d)(1) of the RRA, § 6656(e) is effective for federal tax deposits required to be made after January 18, 1999 (180 days after the July 22, 1998, enactment of the RRA).

### SECTION 3. SCOPE

#### .01 *Applicability.*

(1) This revenue procedure applies to a taxpayer requesting abatement of the failure-to-deposit penalty imposed by § 6656 when the deposit liabilities against which the Service applies deposits or credits, as set forth in Rev. Proc. 90-58, produces multiple failure-to-deposit penalties for any tax specified in section 3.01(2) of this revenue procedure.

(2) This revenue procedure applies with respect to all taxes required to be deposited after January 18, 1999, pursuant to § 6302 and the regulations thereunder

that are reported on the following Internal Revenue Service forms:

(a) Form 720, Quarterly Federal Excise Tax Return;

(b) Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return;

(c) Form 941, Employer's Quarterly Federal Tax Return;

(d) Form 943, Employer's Annual Tax Return for Agricultural Employees;

(e) Form 945, Annual Return of Withheld Federal Income Tax;

(f) Form CT-1, Employer's Annual Railroad Retirement and Unemployment Repayment Tax Return; or

(g) Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

.02 *Inapplicability.* This revenue procedure does not address changes made to § 6656 by § 3304(c) of the RRA for deposits required to be made after December 31, 2001. The Service intends to provide future guidance with respect to those changes.

### SECTION 4. RELIEF PROCEDURE

Any taxpayer that receives a penalty

notice for a return period showing multiple failure-to-deposit penalties for any tax specified in section 3.01(2) of this revenue procedure that is required to be deposited after January 18, 1999, may, within 90 days of the date of the penalty notice, call the toll-free number shown on the penalty notice and designate the deposit period, or periods, within such specified return period to which the deposit(s) of, or credit(s) against, the tax for the return period are to be applied. To the extent that the taxpayer's designation is within the scope of § 6656(e), the Service will adjust the multiple penalties to reflect the penalty amount due on the remaining failure(s) to deposit and so notify the taxpayer in writing.

### SECTION 5. EXAMPLES

.01 *Example 1.* For the first calendar quarter of 1999, A, a semi-weekly employment tax depositor within the meaning of § 31.6302-1 of the Employment Taxes and Collection of Income Tax at Source Regulations, accumulates the following employment tax deposit liabilities for its bi-weekly paydates, and makes the following deposits:

<i>Deposit due date</i>	<i>Required deposit</i>	<i>Actual deposit</i>	<i>Amount applied by IRS to previous underdeposits under Rev. Proc. 90-58</i>	<i>Amount applied to required deposit</i>	<i>Underdeposit</i>
1-6-99	\$7,000	\$7,000	\$0	\$7,000	\$0
1-21-99	\$5,000	\$4,000	\$0	\$4,000	\$1,000
2-3-99	\$5,000	\$5,000	\$1,000	\$4,000	\$1,000
2-18-99	\$8,000	\$8,000	\$1,000	\$7,000	\$1,000
3-3-99	\$6,000	\$6,000	\$1,000	\$5,000	\$1,000
3-17-99	\$5,000	\$4,000	\$1,000	\$3,000	\$2,000
3-31-99	\$10,000	\$10,000	\$2,000	\$8,000	\$2,000

During April 1999, A completes its Form 941 for the first quarter and discovers the January 21, 1999, and March 17, 1999, underdeposits. On April 30, 1999,

the due date for the Form 941, A files the Form 941 and deposits \$2,000.

The Service mails a notice to A dated July 21, 1999, advising that A is subject to

the § 6656 failure-to-deposit penalty as follows:

<i>Date of underdeposit</i>	<i>Amount of underdeposit</i>	<i>Days late</i>	<i>Applicable penalty rate</i>	<i>Penalty amount</i>
1-21-99	\$1,000	13	5%	\$50
2-3-99	\$1,000	15	5%	\$50
2-18-99	\$1,000	13	5%	\$50
3-3-99	\$1,000	14	5%	\$50
3-17-99	\$2,000	14	5%	\$100
3-31-99	\$2,000	30	10%	\$200
			<b>TOTAL</b>	<b>\$500</b>

Under §6656(e), A has until October 18, 1999, to designate its deposits for the first quarter of 1999 by calling the toll-free number shown on the penalty notice. On August 19, 1999, A calls the toll-free number shown on the penalty notice and designates its February 3, 1999, February

18, 1999, March 3, 1999, March 17, 1999, and March 31, 1999, deposits to each apply entirely to the federal tax deposit due on each of those respective days. By so designating its deposits, A is no longer subject to the failure-to-deposit penalty for its federal tax deposits due on Febru-

ary 3, 1999, February 18, 1999, March 3, 1999, and March 31, 1999. However, A continues to be liable for the January 21, 1999, and March 17, 1999, underdeposits. The Service will reduce the total penalty amount to which A is subject to \$200 as follows:

<i>Date of underdeposit</i>	<i>Amount of underdeposit</i>	<i>Days late</i>	<i>Applicable penalty rate</i>	<i>Penalty amount</i>
1-21-99	\$1,000	99	10%	\$100
3-17-99	\$1,000	44	10%	\$100
			<b>TOTAL</b>	<b>\$200</b>

.02 *Example 2.* For the first calendar quarter of 1999, B, a semi-weekly employment tax depositor within the mean-

ing of § 31.6302-1 of the regulations, accumulates \$5,000 of employment tax liabilities for each of its bi-weekly pay-

dates, and makes \$5,000 deposits as follows:

<i>Deposit liability due date</i>	<i>Date of deposit</i>	<i>Days late</i>	<i>Applicable penalty rate</i>	<i>Penalty amount</i>
1-6-99	1-6-99	0	0	\$0
1-21-99	1-22-99	1	2%	\$100
2-3-99	2-4-99	1	2%	\$100
2-18-99	2-19-99	1	2%	\$100
3-3-99	3-4-99	1	2%	\$100
3-17-99	3-18-99	1	2%	\$100
3-31-99	4-1-99	1	2%	\$100
			<b>TOTAL</b>	<b>\$600</b>

The Service mails a notice to B dated July 28, 1999, advising that B is subject to a \$600 failure-to-deposit penalty under § 6656. Under § 6656(e), B has until October 25, 1999, to designate the deposit li-

ability due dates to which its deposits for the first quarter of 1999 will be applied by calling the toll-free number shown on the penalty notice. On September 30, 1999, B calls the toll-free number shown on the

penalty notice and designates that its deposits be applied to its deposit liability due dates as follows:

Date of deposit	Application of deposit		Days late	Applicable penalty rate	Penalty amount
	Deposit liability due date	Taxpayer designation			
1-6-99	1-6-99	1-6-99	0	0%	\$0
1-22-99	1-21-99	2-3-99	0	0%	\$0
2-4-99	2-3-99	2-18-99	0	0%	\$0
2-19-99	2-18-99	3-3-99	0	0%	\$0
3-4-99	3-3-99	3-17-99	0	0%	\$0
3-18-99	3-17-99	3-31-99	0	0%	\$0
4-1-99	3-31-99	1-21-99	70	10%	\$500
				<b>TOTAL</b>	<b>\$500</b>

By so designating its deposits, the Service will reduce the total penalty amount to which B is subject to \$500.

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. (Also Part I, section 42.)*

## SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for federal tax deposits required to be made after January 18, 1999.

## SECTION 7. EFFECT ON OTHER DOCUMENTS

.01 Notice 98-14 is superseded with respect to federal tax deposits required to be made after January 18, 1999. Notice 98-14 continues to apply to deposits required to be made on or before January 18, 1999, with respect to return periods beginning after December 31, 1997.

.02 Rev. Proc. 90-58 is amplified.

## DRAFTING INFORMATION

The principal author of this revenue procedure is Marc C. Porter of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Marc C. Porter at (202) 622-4940 (not a toll-free call).

Rev. Proc. 99-11

## SECTION 1. PURPOSE

This revenue procedure establishes a collateral program as an alternative to providing a surety bond to avoid or defer recapture of low-income housing tax credits under § 42(j)(6) of the Internal Revenue Code. Under this program, taxpayers may establish a Treasury Direct Account and pledge certain United States Treasury securities to the Internal Revenue Service as security. Procedures for establishing the Treasury Direct Account are provided in section 3 of this revenue procedure.

## SECTION 2. BACKGROUND

Section 42(a) allows a 10-year tax credit for investment in qualified low-income buildings placed in service after December 31, 1986. If, at the close of any tax year in the compliance period, the amount of the qualified basis of any building with respect to the taxpayer is

less than the amount of the qualified basis at the close of the preceding tax year, § 42(j)(1) provides that the taxpayer's tax for the tax year shall be increased by the credit recapture amount under § 42(j)(2).

Section 42(j)(6) provides that a taxpayer that disposes of a qualified low-income building or an interest therein may defer or avoid recapture by furnishing a bond to the Secretary in an amount satisfactory to, and for the period required by, the Secretary if it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remainder of the building's compliance period. Guidance on the amount of bond considered satisfactory by the Secretary and the period of the bond required by the Secretary under § 42(j)(6) is provided in Rev. Rul. 90-60, 1990-2 C.B. 3.

Section 7101 provides that a person required to furnish a bond under Title 26 may, in lieu thereof, deposit certain Treasury securities as provided in 31 United States Code (U.S.C.) § 9303.

Under 31 U.S.C. § 9303 if a person is required under a law of the United States to give a surety bond, the person may give a Government obligation as security instead of a surety bond. The obligation



shall: 1) be given to the official having authority to approve the surety bond; 2) be in an amount equal at par value to the amount of the required surety bond; and 3) authorize the official receiving the obligation to collect or sell the obligation if the person defaults on a required condition. A "Government obligation" is defined as a public debt obligation of the United States Government whose principal and interest are unconditionally guaranteed by the Government.

Over the years, taxpayers have reported difficulty in obtaining surety bonds because of the relatively small pool of surety companies that offer surety bonds for low-income housing buildings. Consequently, this program is being established to allow taxpayers to pledge Treasury securities in lieu of a surety bond to secure the taxpayer's liability for credit recapture under § 42(j). Upon furnishing Treasury securities, the taxpayer will be treated, solely for purposes of applying § 42(j), as if the taxpayer had not disposed of the interest and the taxpayer will be deemed to continue to own the disposed-of-interest under the rules of § 42(c). The taxpayer will not, however, be treated as claiming any additional low-income housing credit for the disposed-of-interest for any period following the disposition. If the qualified basis of the taxpayer's deemed interest in a qualified low-income building decreases after a disposition of the taxpayer's interest in the qualified low-income building, the Treasury securities may be forfeited in whole or in part.

### SECTION 3. PROCEDURES FOR ESTABLISHING A TREASURY DIRECT ACCOUNT

The procedures for establishing a Treasury Direct Account with the Service are as follows:

.01 Taxpayers must complete the Form 8693, Low Income Housing Tax Credit Disposition Bond, (see, however, any further revisions to the Form 8693 and its instructions for any changes in reporting) to determine the required amount of Treasury securities to be pledged as follows:

(1) write the words "TREASURY DIRECT ACCOUNT" across the top of Form 8693;

(2) complete Part I of the Form 8693 which includes lines 1 through 5 (substi-

tuting the word "security" wherever the word "bond" appears in line 4), skip line 6, and indicate on line 7a the name and address of the taxpayer;

(3) sign the perjury statement under Part II;

(4) complete Part III, if applicable;

(5) compute the bond amount by completing the worksheet in the instructions; and

(6) submit the completed Form 8693 to:

Internal Revenue Service  
Low-Income Housing Tax Credit  
Examination Group  
Room 3426  
P.O. Box 12040  
Philadelphia, PA 19105

.02 Upon receipt of the Form 8693, the Service will verify that the appropriate dollar amount of Treasury securities has been pledged and will provide the taxpayer with a Treasury Direct collateral customer package and approval memorandum authorizing the establishment of the Treasury Direct Account. The taxpayer must then:

(1) complete the Bureau of Public Debt New Account Request Form (PD 5182) including the following information:

(a) taxpayer identification number (TIN);

(b) taxpayer mailing address;

(c) telephone number; and

(d) the direct deposit information for the taxpayer's bank account to which payments will be credited and purchases debited.

(2) submit the PD 5182 with the Service approval memorandum to:

Bureau of the Public Debt  
IRS Collateral - DCS (PD-DCS)  
200 Third Street  
P.O. Box 428  
Parkersburg, WV 26106

.03 Upon receipt of PD 5182, the Bureau of the Public Debt (PD-DCS) will establish a zero par collateral account (that is, an account without a balance). Taxpayers will then have 60 days to fund the account through original issue or secondary market purchases of eligible Treasury securities, which are: 26-week Treasury bills, \$1,000 minimum, \$1,000 multiples; and 52-week Treasury bills, \$1,000 minimum, \$1,000 multiples.

(1) For original issue purchases, the taxpayer must:

(a) complete a Treasury Direct Tender Form (PD 5381) to

purchase non-competitively the security with the required value and term;

(b) select Debit Account Clearing House as the method of payment on the tender;

(c) submit the completed tender to the PD-DCS collateral desk to be entered via Public Debt's electronic site (PD-DCS will not process any tender received that does not include an already established account number for a Treasury Direct Account);

(d) receive a Treasury Direct Statement of Account that displays both the form of registration and the par amount of Treasury securities pledged; and

(e) submit within 30 days from receipt a copy of the Treasury Direct Statement of Account to the Service at the address cited in section 3.01(6) of this revenue procedure as evidence that the collateral pledge account has been funded.

(2) For secondary market purchases, the taxpayer must:

(a) purchase a Treasury security of the correct term and value on the secondary market through a broker/dealer;

(b) instruct the broker/dealer to transfer the Treasury security or securities into an established Treasury Direct Account;

(c) receive a Treasury Direct Statement of Account that displays both the form of registration and the par amount of Treasury securities pledged; and

(d) submit a copy of the Treasury Direct Statement of Account to the Service as evidence that the collateral pledge account has been funded.

.04 Taxpayers may purchase any combination of eligible Treasury securities to provide the required amount of collateral. All Treasury Direct Accounts are structured so that:

(1) Maturing securities are automatically reinvested in the same type of instruments previously held. If a like reinvestment option is not available upon a security's maturity, the proceeds are invested in the next offered 26 week Treasury bill. No interest accrues or is paid for any period between investments.

(2) PD-DCS reports to the Service all Form 1099 information concerning the accounts.

(3) All refund payments are credited electronically to the bank account of record on the previously established Treasury Direct Account. A refund payment on a Treasury bill is an amount equal to the difference between the face value and the price paid for the bill when purchased at original issue.

(4) Taxpayers are subject to annual maintenance or other fees applicable generally to investors holding Treasury securities in Treasury Direct. Refer to annual Federal Register notices for the schedule of maintenance fees.

.05 Taxpayers are not able, without written authorization from the Service, to transfer securities or initiate other changes to the collateral account. However, taxpayers may communicate directly with PD-DCS with any change in bank account information.

.06 At the end of the required posting period, the taxpayer must complete a Security Transfer Request Form (PD 5179), and forward the Request Form PD 5179 to the Service at the address noted in Section 3.01(6) of this revenue procedure. The

Service will review the taxpayer's request and notify PD-DCS to return the posted securities. PD-DCS will not process any transfer request from the taxpayer unless it has been reviewed by the Service.

.07 The taxpayer has two options in receiving back the securities from the Treasury Direct Account. The taxpayer may:

(1) establish a new Treasury Direct Account using the Public Debt New Account Request Form or designate an existing Treasury Direct Account in the taxpayer's name and complete the Security Transfer Request Form (PD 5179) to transfer the securities into the new or existing Treasury Direct Account; or

(2) complete the Security Transfer and Sale Request Form (PD-5179-1) to transfer the securities to the commercial market's National Book-Entry System (NBES). The securities are transferred from the Treasury Direct system into the Federal Reserve's Bank of Chicago's account in NBES to be sold on the secondary market.

.08 Questions regarding the computation of the required amount of collateral can be directed to:

Internal Revenue Service

Low Income Housing Tax Credit  
Examination Group  
Room 3426  
P.O. Box 12040  
Philadelphia, PA 19105  
Phone Number: (215) 861-1212  
(Ext. 144)

.09 Administrative questions concerning the establishment of the Treasury Direct Account should be directed to:

Bureau of the Public Debt  
IRS Collateral-DCS  
200 Third Street  
P.O. Box 428  
Parkersburg, WV 26106  
Phone Number: (304) 480-6158

#### **SECTION 4. EFFECTIVE DATE**

This revenue procedure is effective (Insert date of publication).

#### **DRAFTING INFORMATION**

The principal author of this revenue procedure is Jack Malgeri of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure, contact Mr. Malgeri at (202) 622-3040 (not a toll-free call).

Use this revenue procedure to prepare Form 8596 for submission to Internal Service (IRS) using any of the following:

- Magnetic Tape
- Tape Cartridge
- 8mm, 4mm, and Quarter Inch Cartridges
- 3 ½-inch Diskette

**Note:** IRS, Martinsburg Computing Center has discontinued processing 5 ¼-inch diskettes. Filers who currently use this type of media for filing should consider one of the acceptable options from the list above.

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**NOTE:**

Following is a list of related forms for filing Information Returns Magnetically/Electronically:

- Form 4419 — Application for Filing Information Returns Magnetically/Electronically
- Form 4804 — Transmittal of Information Returns Reported Magnetically/Electronically
- Form 4802 — Transmittal of Information Returns Reported Magnetically/Electronically (Continuation)
- Notice 210 — Preparation Instructions for Media Label

**Caution to Filers:**

Format changes to accommodate Year 2000 will occur for Tax Year 1998 in calendar year 1999, as well as a significant change in record size from 420 positions to 750 positions.

Treasury has mandated that all electronic year dates exchanged with non-IRS organizations, both government and private, both input and output, shall adhere to the following:

- All Gregorian date formats will be in the format “YYYYMMDD”.
- All other year date formats (e.g., Julian, Tax Period, Cycle Dates) will expand representations from 2-digit year to 4-digit year: “YYYY”.

**The Internal Revenue Service, Martinsburg Computing Center encourages filers to make copies of the blank forms in the back of this publication.**

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## PART A. GENERAL

### Sec. 1. Purpose

**.01** Section 6050M of the Internal Revenue Code, which was added by section 1522 of the Tax Reform Act of 1986 (Public Law 99-514) and amended by section 1015(f) of the Technical and Miscellaneous Revenue Act of 1988 (Public Law 100-647), requires Federal Executive Agencies to file an information return with the Internal Revenue Service (IRS) reporting the name, address and Taxpayer Identification Number (TIN) of each person and/or corporation with whom the agency enters into a contract, together with any other information required by Treasury regulations.

**.02** The purpose of this revenue procedure is to provide the requirements and conditions for reporting information required on Form 8596, Information Return for Federal Contracts, and Form 8596-A, Quarterly Transmittal of Information Returns for Federal Contracts, on magnetic media, which includes ½-inch magnetic tape; IBM 3480, 3490 or AS400 compatible tape cartridges (including 8mm, 4mm and Quarter Inch Cartridges [QIC]); and 3 ½-inch diskettes.

**.03** This revenue procedure applies to Federal Executive Agencies with respect to their contracts (including contract actions treated as new contracts) entered into (or treated as entered into) on or after September 30, 1998. With respect to a basic or initial contract entered into before 1989, it does not apply to an increase contract action treated as a new contract if the increase occurred before April 1, 1990, or if the increase is not in excess of \$50,000. Please read this revenue procedure carefully.

**.04** This revenue procedure supersedes Rev. Proc. 94-56, reprinted as Publication 1516 (Rev. 9-94), Specifications for Filing Forms 8596, Information Return for Federal Contracts, on Magnetic Tape, Tape Cartridge, and 3-½" Diskette.

### Sec. 2. Nature of Changes

**.01** Legislative changes for Tax Year 1998, as well as Year 2000 changes, necessitated major changes in the record format for information returns filed magnetically. Additional fields have been added to some existing records. IRS/MCC has re-designed the record layouts and expanded record lengths from 420 positions to 750 positions for the Payer "A" Record, the Payee "B" Record, the End of Payer "C" Record, and the End of Transmission "F" Record. In addition, a Transmitter "T" Record has been added as the first record on the file. The record changes make it imperative for filers to read this publication in its entirety. Failure to comply with the new record format will result in the media being returned to the filer for correction and replacement.

### Sec. 3. Where to File and How to Contact the IRS, Martinsburg Computing Center

**.01** All information returns filed magnetically are processed at IRS/MCC. Files containing information returns and requests for IRS magnetic media information are to be sent to the following addresses:



If by Postal Service:  
 IRS-Martinsburg Computing Center  
 Information Reporting Program  
 P. O. Box 1359  
 Martinsburg, WV 25402-1359

or



If by truck or air freight:  
 IRS-Martinsburg Computing Center  
 Information Reporting Program  
 Route 9 and Needy Road  
 Martinsburg, WV 25401

**.02** Telephone inquiries for the Information Reporting Call Site may be made between 8:30 a.m. and 4:30 p.m. Eastern time, Monday through Friday.

**.03** The telephone numbers for magnetic media inquiries are:



**304-263-8700 - Call Site**

**304-264-7070 - IRP-BBS (Information Reporting Program-Bulletin Board System)**

**304-267-3367 - TDD (Telecommunication Device for the Deaf)**

**304-264-5602 - Fax Machine**

(These are **not toll-free** telephone numbers.)

#### **TO OBTAIN FORMS:**

**1-800-TAX-FORM (1-800-829-3676)**

**<http://www.irs.ustreas.gov>-Internet Access to forms**

### **Sec. 4. Form 4419, Application for Filing Information Returns Magnetically/Electronically**

**.01** For purposes of this revenue procedure, the PAYER is the agency making payments, and the TRANSMITTER is the organization submitting the magnetic media file. Payer and transmitter may be the same organization. Transmitters are required to complete Form 4419, Application for Filing Information Returns Magnetically/Electronically.

**.02** Magnetic tape, tape cartridge, and diskette may not be submitted to IRS/MCC until the application has been approved. Please read the instructions on the back of Form 4419 carefully. Form 4419 is included in this publication for the transmitter's use. Additional forms may be obtained by calling 1-800-TAX-FORM (1-800-829-3676). This form may be photocopied.

**.03** Upon approval, a five-character alpha/numeric Transmitter Control Code (TCC) will be assigned and included in an approval letter. The TCC must be coded in field positions 16-20 of the Transmitter "T" Record. Blanks are not acceptable in this field.

There should be only one (1) TCC, and one (1) "T" Record for a file. If more than one TCC is being used to report information, there must be separate media for each TCC. Two different TCCs may not be used on the same media.

**.04** A Federal Executive Agency may elect to have the Director of the Federal Procurement Data Center (FPDC) file the returns required for certain contracts on its behalf. See Part A, Sec. 5.

**.05** After approval to file on magnetic media has been received, the transmitter need not reapply each year. IRS should be notified in writing if:

(a) he payer has discontinued filing magnetically for two years. The payer's TCC may have been reassigned by IRS/MCC. Payers who are aware that the TCC assigned will no longer be used are requested to notify IRS/MCC so these numbers may be reassigned.

(b) A service agency has been used to prepare the magnetic media, but the transmitter has computer capability to do the transmission. The transmitter must apply for his or her own TCC.

**.06** The TCC should be provided in all contacts with IRS/MCC.

**.07** One Form 4419 should be submitted, even if the transmitter files on more than one type of magnetic media (e.g., ½-inch magnetic tapes, tape cartridges [8mm, 4mm] and Quarter Inch Cartridge [QIC], and 3 ½ -inch diskettes). Multiple TCCs will only be issued to agencies with multiple TINs. **Only one TCC will be issued per TIN.**

**.08** Form 4419 may be submitted any time during the year; however, it must be submitted to IRS/MCC at least 30 days before the due date of the return(s) to ensure timely filing.

### **Sec. 5. Filing Requirements**

**.01** The requirements for Federal contracts are governed by section 6011(e)(2)(A) and section 6050M of the Internal Revenue Code and Regulations section 1.6050M-1. A Federal Executive Agency that enters into 250 or more reportable contracts during a one year period, beginning October 1 of each year, must file Form 8596 on magnetic media for each quarter of that one year period.

**.02** The information returns required by this section with respect to contracts of a Federal Executive Agency entered into on or after January 1, 1989, must be filed on a quarterly basis for the calendar quarters ending on the last day of March, June, September, and December, on or before the last day of the month following that quarter for which the returns are being made.

**.03** The information returns required by this section with respect to contracts of a Federal Executive Agency for each calendar quarter, beginning October 1 of each year may be made in one submission or in multiple submissions.

**.04** If, beginning on October 1 of any year, a Federal Executive Agency has reasonable expectations to enter into fewer than 250 reportable contracts during a one year period, beginning October 1, the agency may file paper Forms 8596 and 8596-A with the IRS Kansas City Service Center, Kansas City, MO 64999-2222.



**.05 Election to have the Director of the Federal Procurement Data Center file returns on behalf of an agency.** A Federal Executive Agency may elect to have the Director of the Federal Procurement Data Center (FPDC) file the required returns with IRS on behalf of the agency. The agency must comply with the requirements of the Federal Procurement Data System (FPDS) in submitting the information.

**.06** In order to make this election, the head of a Federal Executive Agency (or his or her delegate) shall attach a signed statement to its submission to the FPDC for that quarter stating the following:

- (a) The Director of the FPDC (or his or her delegate) is authorized to submit the required returns on behalf of the agency for contracts for that quarter in accordance with an election under 26 CFR 1.6050M-1(d)(5).
- (b) Under the penalties of perjury, the official has examined the information submitted by the agency to the FPDC who will submit the returns to IRS. The official certifies that information to be, to the best of his or her knowledge and belief, an accurate compilation of agency records maintained in the normal course of business for the purpose of making true, correct, and complete returns as required by section 6050M.

**.07** An agency that elects to have the FPDC file its returns must not submit those same returns to the IRS.

**.08** If a contract is increased by more than \$25,000 under one action, the action should be treated as a new contract and reported to IRS for the calendar quarter in which the increase occurs. This could occur through the exercise of an option contained in a basic or initial contract or under any other rule of contract law, expressed or implied, when the amount of money or other property obligated under the contract is increased by more than \$25,000.

**.09 Special rules to filing requirements are as follows:**

- (a) If a subcontract is entered into by the Small Business Administration (SBA) under a prime contract between SBA and a procuring agency pursuant to section 8(a) of the Small Business Act, the procuring agency, not the SBA will be required to file.
- (b) A Federal Supply Schedule Contract or an Automated Data Processing Schedule Contract entered into by the General Service Administration (GSA), or a schedule contract entered into by the Department of Veterans Affairs (VA) on behalf of one or more Federal Executive Agencies, is not to be reported by the GSA or VA at the time of execution. When a Federal Executive Agency, including the GSA or the VA, places an order under a schedule contract, the Federal Executive Agency must file.

**.10 Exceptions:** The following are not required to be reported under section 6050M:

- (a) Any contract action of \$25,000 or less;
- (b) Any contract that provides for all amounts payable under the contract by a Federal Executive Agency will be paid on or before the 120th day following the date of the contract action and for which it is reasonable to expect that all amounts will be so paid;
- (c) A license granted by a Federal Executive Agency;
- (d) An obligation of a contractor (other than a Federal Executive Agency) to a subcontractor;
- (e) Debt instruments of the U. S. Government or a Federal agency, such as Treasury Notes, Treasury bonds, Treasury bills, U. S. Savings Bonds, or similar instruments;
- (f) An obligation of a Federal Executive Agency to lend money, lease property to someone, or sell property;
- (g) A blanket purchase agreement. However, when an order is placed under a blanket purchase agreement, a contract then exists and Form 8596 must be filed;
- (h) Any contract with a contractor who, in making the agreement, is acting in his or her capacity as an employee of a Federal Executive Agency (e.g., any contract of employment under which the employee is paid wages subject to Federal income tax withholding);
- (i) Any contract between a Federal Executive Agency and another Federal Governmental unit or any subsidiary agency;
- (j) Any contract with a foreign government or agency or any subsidiary agency;
- (k) Any contract with a state or local government or agency or any subsidiary agency;
- (l) Any contract with a person who is not required to have a taxpayer identification number, such as a nonresident alien, foreign corporation or foreign partnership, any of which does not have income effectively connected with the conduct of a trade or business in the United States and does not have an office or place of business as a fiscal or paying agent in the United States;
- (m) Certain confidential or classified contracts that meet the requirements of section 6050M(e);
- (n) Any contract that provides that all payments made after the 120th day after the date of the contract action will be made by someone other than a Federal Executive Agency or an agent of such an agency. For example, a contract under which the contractor will collect amounts owed to a Federal Executive Agency for the agency's debtor and will remit to the Federal Executive Agency the money collected less an amount for the contractor's consideration under the contract;
- (o) Contracts entered into using nonappropriated funds.

## **Sec. 6. Filing of Information Returns For Federal Contracts**

**.01** Form 4804, Transmittal of Information Returns Reported Magnetically/Electronically, must accompany the magnetic media submissions. If a transmitter files for multiple agencies, the transmitter should also submit Form 4802, Transmittal of Information



Returns Reported Magnetically/ Electronically (Continuation). (IRS encourages the use of a computer-generated Form 4804 that includes all necessary information requested on the current form.) **The Forms 4804, 4802 or a computer-generated substitute must be included with the media shipment.**

**.02** Copies of Forms 4804 and 4802 and requests for additional forms related to magnetic media processing may be obtained by calling 1-800-TAX-FORM (1-800-829-3676).

**.03** Paper information returns must be transmitted to the IRS Kansas City Service Center using Form 8596 and Form 8596-A. **Returns filed on paper forms must not be sent to the IRS/MCC.**

**.04** The affidavit on Form 4804 or the appropriate substitute affidavit set forth in this section must be signed by the head of the Federal Executive Agency (or his or her delegate), or if returns are being made on behalf of the agency by the FPDC, by the Director for the FPDC (or his or her delegate).

To use the substitute affidavit, the transmitter should attach the substitute to the Form 4804 and cross out the affidavit on the original form. The substitute affidavit must include the signature and title of the person signing and the date. The substitute affidavits follow:

**(a) Returns made directly with the Internal Revenue Service by the Federal Executive Agency.**

“Under the penalties of perjury, I declare that I have examined this transmittal, and accompanying documents, that they are prepared pursuant to the requirement of section 6050M, and, to the best of my knowledge and belief, they are compiled from agency records maintained in the normal course of business for the purpose of making a true, correct, and complete return as required by section 6050M.”

**(b) Returns made by the Director of FPDC on an agency’s behalf.**

“Under the penalties of perjury, I declare that I have examined this transmittal, and accompanying documents, that they are prepared pursuant to the requirement of section 6050M and, to the best of my knowledge and belief, they are compiled from information submitted by the Federal Executive Agency to the FPDC pursuant to section 1.6050M-1(d)(5)(i) for the purpose of making a true, correct, and complete return as required by section 6050M.”

**.05** If a Federal Executive Agency elects to have the FPDC make returns on its behalf, the FPDC shall attach a copy of that agency’s signed statement, making the election, to the Form 4804 accompanying the magnetic media submission for that agency for that quarter.

**.06 The transmitter must not report the same information on paper forms that is reported on magnetic media.** If part of the returns are reported on paper and part on magnetic media, the transmitter must be sure that duplicate information is not included on both. This does not mean that corrected documents should not be filed. If a return has been prepared and submitted improperly, a corrected return must be filed as soon as possible. See Part A, Sec. 9 for requirements and instructions on filing corrected returns.

**.07** When a transmitter submits magnetic media files, the following items must be included:

- (a)** A signed Form 4804 or computer generated substitute.
- (b)** A Form 4802, if the transmitter files for multiple agencies and has the authority to sign the affidavit on Form 4804 as outlined above.
- (c)** A self-adhesive external media label, created by the filer, must be affixed to each tape and diskette. (IRS no longer provides self-adhesive labels for this purpose.) For instructions on how to prepare an external media label, refer to Notice 210.
- (d)** On the outside of the shipping container, affix or attach a label which reads **IRB Box \_\_ of \_\_** reflecting the number of containers in the shipment. (Filers can create a label with this information or cut out one of the labels on the special label page provided in this publication. IRS no longer provides self-adhesive labels for this purpose.) If there is only one container, the outside of the package should be marked as Box 1 of 1. For multiple containers, include the sequence (for example, Box 1 of 3, 2 of 3, 3 of 3).

**.08** Files returned due to errors must be corrected and returned to IRS as a replacement file within 45 days of the date on the correspondence which will accompany the media.

**.09** Agencies are required to retain a copy of the information returns filed with IRS for at least three years or have the ability to reconstruct the data.

**Sec. 7. Filing Dates**

**.01** The information returns required by this section must be filed on a quarterly basis for the calendar quarters as follows:

<b><u>QUARTER</u></b>	<b><u>DUE DATE</u></b>
January, February, March .....	April 30
April, May, June .....	July 31
July, August, September .....	October 31
October, November, December .....	January 31

**.02** The director of the FPDC (or his or her delegate) shall submit the required return for a quarter to IRS on or before the earlier date of:

- (a)** 45 days following the date that the contract information is required to be submitted to the FPDC, or

(b) 90 days following the end of the calendar quarter for which the election is made, except that, if the calendar quarter ends September 30, 105 days following the end of that quarter.

.03 If any due date falls on a Saturday, Sunday or legal holiday, the filing deadline is extended to the next day that is not a Saturday, Sunday, or legal holiday.

## Sec. 8. Processing of Magnetic Media Returns

.01 All data received at the IRS/MCC for processing will be given the same protection as individual returns (Form 1040). Media that is successfully processed will not be returned to the originator. All returned tapes and diskettes should be opened upon receipt. Media is only sent back due to errors. This media must be corrected and returned to IRS/MCC within 45 day of the date of the letter sent with the media or the payer may be subject to penalties.

.02 Transmitters must ensure that the record format and specifications comply with this revenue procedure.

## Sec. 9. How to File Corrected Returns

.01. If corrections are necessary, the complete document must be filed in the next filing quarter. Corrected returns on paper forms must be submitted on Forms 8596 and 8596-A to the IRS Kansas City Service Center, Kansas City, MO 64999-2222. If the complete file that is submitted magnetically is in error, the IRS/MCC should be contacted immediately. (See Part A, Sec. 3 for the address)

.02. To distinguish between a correction and a replacement:

✦ **A correction** is media submitted by the payer to correct records that were successfully processed by IRS, but contained erroneous information.

✦ **A replacement** is media that IRS has returned to the payer or transmitter due to format errors encountered during processing. After necessary changes have been made, the media must be returned to IRS/MCC to be processed.

## Sec. 10. Taxpayer Identification Numbers

.01 Contractors are required to furnish taxpayer identification number (TINs) to the agency under section 6109 of the Internal Revenue Code. Refer to Part A, Sec. 12 for a definition of Taxpayer Identification Number (TIN).

.02 The contractor's TIN and name combination is used to associate information returns reported to IRS with corresponding information on tax returns. It is imperative that correct social security or employer identification numbers for contractors be provided to IRS. Do not enter hyphens or alpha characters. Entering all zeros, ones, twos, etc. will have the effect of an incorrect TIN.

.03 IRS validates the SSN by using the Name Control of the surname of the individual who has been assigned this number. For this reason, the surname should be provided in the Payee Name Line and/or the Name Control in positions 7-10 of the "B" Record. It is imperative to provide correct information for IRS to validate the SSN.

IRS validates an EIN by using the name control of the business to which the EIN has been assigned. If an EIN is reported for a contractor, the correct business name should be provided in the First Payee Name Line and /or Name Control in positions 7-10 of the "B" Record.

.04 For sole proprietors, the owner's name (not the business name) must appear in the Payee Name Line. The TIN for a sole proprietor may be either an EIN or SSN.

.05 The TIN to be furnished to IRS depends primarily upon the manner in which the account is maintained or set up on the agency's record. The payer and payee names and taxpayer identification numbers should be consistent with the names and numbers used on other tax returns. The TIN must be that of the contractor. If the contract is recorded in more than one name, the transmitter must furnish the TIN and name of one of the contractors. The TIN provided must be associated with the name of the contractor provided in the First Payee Name Line of the Payee "B" Record.

.06 The charts that follow will help the transmitter determine the number to be furnished to IRS for contractors.

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**CHART 1. Guidelines for Social Security Numbers**

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	In the Taxpayer Identification Number field of the Payee "B" Record, enter the SSN of-	In the First Payee Name Line of the Payee "B" Record, enter the name of-
For this type of contractor:		
1. An individual	The individual	The individual
2. A sole proprietorship	The owner (An SSN or EIN)	The owner's name not the business name (the filer may enter the business name on the second payee name line).

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## CHART 2. Guidelines for Employer Identification Numbers

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For this type of contractor:	In the Taxpayer Identification Number field of the Payee "B" Record, enter the EIN of-	In the First Payee Name Line of the Payee "B" Record, enter the name of-
1. Corporate	The corporation	The corporation
2. A partnership account	The partnership	The partnership
3. A sole proprietorship	The owner (An EIN or SSN)	The owner's name not the business name (the filer may enter the business name on the second payee name line).

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### Sec. 11. Effect on Paper Returns

**.01** All paper Forms 8596 and 8596-A for both original and corrected returns should be filed with the IRS Kansas City Service Center, Kansas City, MO 64999-2222. Forms 8596 and 8596-A may be obtained by calling 1-800-TAX-FORM (1-800-829-3676).

### Sec. 12. Definition of Terms

<i>Element</i>	<i>Description</i>
␣	Denotes a blank position. Enter blank(s) when this symbol is used (do <b>not</b> enter the letter "b"). This appears in numerous areas throughout the record descriptions.
Coding Range	Indicates the allowable codes for a particular type of statement.
Common Parent	A corporation that files income tax returns on a consolidated basis for an affiliated group of corporations.
Contract	<p>A. An obligation of a Federal Executive Agency to make payment of money (or other property) to a person in return for the sale of property, the rendering of services, or other consideration. A contract includes such an obligation arising from a written agreement between the agency and the contractor, an award or notice of award, a job order or task letter issued under a basic ordering agreement, a letter contract, an order that is effective only on written acceptance or performance, or certain increases in the amount obligated.</p> <p>B. Any subcontract entered into by the Small Business Administration (SBA) under a prime contract between the SBA and a procuring Federal Executive Agency pursuant to section 8(a) of the Small Business Act (15 U.S.C. 637[a]), shall not be treated as a contract of the SBA but shall be treated as a contract of the procuring agency for purposes of this section.</p> <p>C. An order placed by a Federal Executive Agency, including the General Services Administration or the Department of Veterans Affairs under a Schedule Contract is a contract.</p> <p>D. It does not include debt instruments of the United States Government or of a Federal agency, such as Treasury Notes, Treasury Bonds, Treasury Bills, Savings Bonds, or similar instruments.</p> <p>E. It does <b>not</b> include a blanket purchase agreement between one or more Federal executive agencies and one or more contractors. However, an order placed by a Federal Executive Agency under the terms of a blanket purchase agreement is a contract.</p> <p>F. It does <b>not</b> include a license by a Federal Executive Agency.</p> <p>G. It does <b>not</b> include an obligation of a contractor (other than a Federal Executive Agency) to a subcontractor.</p> <p>H. It does not include an obligation of a Federal Executive Agency to lend money, lease property to a lessee, or sell property.</p>
Contract Modification Number	The number assigned to a contract or order by the reporting contract office to designate the modification or termination of a contract.

Contract Number	The number (alpha/numeric) assigned by the Federal Executive Agency to identify a particular contract or purchase order.
Contract Office Number	A five character code assigned by the Federal Executive Agency that identifies the purchasing or contract office.
Contract Office Order Number	The number assigned by the contracting office to identify delivery orders, task orders and calls placed against indefinite delivery contracts, Federal schedule contracts or basic ordering agreements.
Contractor	Any partner, corporation or sole proprietor who enters into a contract with a Federal Executive Agency.
EIN	Employer Identification Number that has been assigned by IRS.
Federal Executive Agency/Payer	A. Any executive agency (as defined in 5 U.S.C. 105) other than the General Accounting Office; B. Any military department (as defined in 5 U.S.C. 102); and C. The United States Postal Service and the Postal Rate Commission.
File	For purposes of this revenue procedure, a file consists of one Transmitter "T" Record at the beginning of the file, followed by a Payer "A" Record, Payee "B" Records, and an End of Payer "C" Record after each set of "B" Records. The last record on the file will be the End of Transmission "F" Record. Nothing should be reported after the End of Transmission "F" Record.
Payee	The contractor.
Payer/Federal Executive Agency	The Federal Executive Agency entering into the contract. The Payer/Federal Executive Agency will be held responsible for the completeness, accuracy and timely submission of magnetic media or electronic files.
Reporting Agency Code	The four digit agency and subagency code.
Special Character	Any character that is not a numeral, an alpha or a blank.
SSN	Social Security Number.
Taxpayer Identification Number (TIN)	Either an Employer Identification Number (EIN) or Social Security Number (SSN).
Transmitter	Person or organization submitting magnetic media file(s). May be a payer or agent of the payer.
Transmitter Control Code (TCC)	A five character alpha/numeric number assigned by IRS to the transmitter prior to actual magnetic media filing. This number is inserted in the "T" Record of the files and <b>must</b> be present before the files can be processed. An application Form 4419 must be filed with IRS/MCC to receive this number. <b>See Part A, Sec. 4.</b>

### Sec. 13. State Abbreviations

.01 The following state and U.S. territory abbreviations are to be used when developing the state code portion of address fields.

State	Code	State	Code	State	Code
Alabama	AL	Kansas	KS	Northern	
Alaska	AK	Kentucky	KY	Mariana Islands	MP
American Samoa	AS	Louisiana	LA	Ohio	OH
Arizona	AZ	Maine	ME	Oklahoma	OK
Arkansas	AR	Marshall Islands	MH	Oregon	OR
California	CA	Maryland	MD	Pennsylvania	PA
Colorado	CO	Massachusetts	MA	Puerto Rico	PR
Connecticut	CT	Michigan	MI	Rhode Island	RI
Delaware	DE	Minnesota	MN	South Carolina	SC
District of		Mississippi	MS	South Dakota	SD
Columbia	DC	Missouri	MO	Tennessee	TN
Federated States		Montana	MT	Texas	TX
of Micronesia	FM	Nebraska	NE	Utah	UT
Florida	FL	Nevada	NV	Vermont	VT
Georgia	GA	New Hampshire	NH	Virginia	VA
Guam	GU	New Jersey	NJ	Virgin Islands	VI
Hawaii	HI	New Mexico	NM	Washington	WA
Idaho	ID	New York	NY	West Virginia	WV
Illinois	IL	North Carolina	NC	Wisconsin	WI
Indiana	IN	North Dakota	ND	Wyoming	WY
Iowa	IA				

**.02** Filers must adhere to the city, state, and ZIP Code format for U. S. addresses in the “B” Record. This also includes American Samoa, Federated States of Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Puerto Rico, and the U. S. Virgin Islands.

**.03** For foreign country addresses, filers may use a 51 position free format which should include city, province or state, postal code, and name of country in this order. This is allowable only if a “1” (one) appears in the Foreign Country Indicator, Field Position 247 of the “B” Record.

**.04** When reporting APO/FPO addresses use the following format:

**EXAMPLE:**

Payee Name	PVT Willard J. Doe
Mailing Address	Company F, PSC Box 100
167 Infantry REGT	
Payee City	APO (or FPO)
Payee State	AE, AA, or AP*
Payee ZIP Code	098010100

\*AE is the designation for ZIPs beginning with 090-098, AA for ZIP 340, and AP for ZIPs 962- 966.

## Sec. 14. Effective Date

This revenue procedure is effective for filing Forms 8596 on magnetic media for the quarter beginning in January of 1999.

## PART B. — RECORD SPECIFICATIONS

### Sec. 1. General

**.01** The specifications contained in this part of the revenue procedure define the required format and contents of the records to be included in the magnetic media file.

**.02** A provision is made in the “B” Records for entries which are optional. If the field is not utilized, enter blanks to maintain a fixed record length of 750 positions. Each field description explains the intended use of specific field positions.

**.03** Transmitters should be consistent in the use of recording codes and density on files. If the media does not meet these specifications, it will be returned to the transmitter for replacement. (See Part A, Sec. 9.) Contact IRS/MCC for further information at 304-263-8700.

## Sec. 2. Tape Specifications

.01 IRS/MCC can process most magnetic tape files if the following specifications are followed:

- (a) 9 track EBCDIC (Extended Binary Coded Decimal Interchange Code) with:
  - (1) Odd parity.
  - (2) A density of 1600 or 6250 CPI.
  - (3) If transmitters use UNISYS Series 1100, they must submit an interchange tape.
- (b) 9 track ASCII (American Standard Coded Information Interchange) with:
  - (1) Odd parity.
  - (2) A density of 1600 or 6250 CPI.

Transmitters should be consistent in the use of recording codes and density on files.

.02 All compatible tape files must have the following characteristics: Type of tape - ½-inch (12.7 mm) wide, computer-grade magnetic tape on reels of up to 2,400 feet (731.52 m) within the following specifications:

- (a) Tape thickness: 1.0 or 1.5 mils and
- (b) Reel diameter: 10 ½-inch (26.67 cm), 8 ½-inch (21.59 cm), 7-inch (17.78 cm), or 6-inch.

.03 The tape records defined in this revenue procedure may be blocked subject to the following:

- (a) A block **must not** exceed 32,250 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
- (d) Records may not span blocks.

.04 Labeled or unlabeled tapes may be submitted.

.05 For the purposes of this revenue procedure the following must be used:

Tape Mark:

- (a) Signifies the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

.06 IRS/MCC can only read one data file on a tape. A data file is a group of records which may or may not begin with a tapemark, but must end with a trailer label. Any data beyond the trailer label cannot be read by IRS programs.

## Sec. 3. Tape Cartridge Specifications

.01 In most instances, IRS/MCC can process tape cartridges that meet the following specifications:

- (a) Must be IBM 3480, 3490, 3490E, or AS400 compatible.
- (b) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
  - (1) Tape cartridges will be ½-inch tape contained in plastic cartridges which are approximately 4-inches by 5-inches by 1-inch in dimension.
  - (2) Magnetic tape will be chromium dioxide particle based ½-inch tape.
  - (3) Cartridges must be 18-track or 36-track parallel (See Note).
  - (4) Cartridges will contain 37,871 CPI or 75,742 CPI (characters per inch).
  - (5) Mode will be full function.
  - (6) The data may be compressed using EDRC (Memorex) or IDRC (IBM) compression.
  - (7) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used.

.02 The tape cartridge records defined in this revenue procedure may be blocked subject to the following:

- (a) A block **must not** exceed 32,250 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9s; however, the last block of the file may be filled with 9s or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
- (d) Records may not span blocks.

.03 Tape cartridges may be labeled or unlabeled.

.04 For the purposes of this revenue procedure, the following must be used:



Tape Mark:

- (a) Signifies the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

☛ **Note:** Filers should indicate on the external media label and transmittal Form 4804 whether the cartridge is 36-track or 18-track.

#### Sec. 4. 8mm, 4mm, and Quarter Inch Cartridge Specifications

.01 In most instances, IRS/MCC can process 8mm tape cartridges that meet the following specifications:

- (a) Must meet American National Standard Institute (ANSI) standards, and have the following characteristics:
  - (1) Created from an AS400 operating system only.
  - (2) 8mm (.315-inch) tape cartridges will be 2 ½-inch by 3 ¾-inch.
  - (3) The 8mm tape cartridges must meet the following specifications:

Tracks	Density	Capacity
1	20 (43245 BPI)	2.5 Gb (10Gb)
1	21 (45434 BPI)	5 Gb (20 Gb)

- (4) Mode will be full function.
- (5) Compressed data is not acceptable.
- (6) Either EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Coded Information Interchange) may be used. However, IRS/MCC encourages the use of EBCDIC. This information must appear on the external media label affixed to the cartridge.
- (7) A file may consist of more than one cartridge; however, no more than 250,000 documents may be transmitted per file or per cartridge. The filename, for example; IRSTAX, will contain a three digit extension. The extension will indicate the sequence of the cartridge within the file (e.g. 1 of 3, 2 of 3, and 3 of 3 would appear in the header label IRSTAX.001, IRSTAX.002, and IRSTAX.003 on each cartridge of the file.) **The end of transmission "F" Record should be placed only on the last cartridge for files containing multiple cartridges.**

.02 The 8mm (.315-inch) tape cartridge records defined in this revenue procedure may be blocked subject to the following:

- (a) A block **must not** exceed 32,250 tape positions.
- (b) If the use of blocked records would result in a short block, all remaining positions of the block must be filled with 9's; however, the last block of the file may be filled with 9's or truncated. **Do not pad a block with blanks.**
- (c) All records, except the header and trailer labels, may be blocked or unblocked. A record may not contain any control fields or block descriptor fields which describe the length of the block or the logical records within the block. The number of logical records within a block (the blocking factor) must be constant in every block with the exception of the last block which may be shorter (see item (b) above). The block length must be evenly divisible by 750.
- (d) Various COPY commands have been successful; however, the SAVE OBJECT COMMAND is not acceptable.
- (e) Extraneous data following the "F" record will result in media being returned for replacement.
- (f) Records may not span blocks.
- (g) No more than 250,000 documents per cartridge and per file.

.03 For faster processing, IRS/MCC encourages transmitters to use header labeled cartridges. IRSTAX may be used as a suggested filename.

.04 For the purposes of this revenue procedure, the following must be used:

Tape Mark:

- (a) Signifies the physical end of the recording on tape.
- (b) For even parity, use BCD configuration 001111 (8421).
- (c) May follow the header label and precede and/or follow the trailer label.

.05 If extraneous data follows the End of Transmission "F" Record, the file will be returned for replacement. Therefore, IRS/MCC encourages transmitters to use blank tape cartridges, rather than cartridges previously used, in the preparation of data when submitting information returns.

.06 IRS/MCC can only read one data file on a tape. A data file is a group of records which may or may not begin with a tape-mark, but must end with a trailer label. Any data beyond the trailer label cannot be read by IRS programs.

.07 4 mm (.157-inch) cassettes are now acceptable with the following specifications:

- (a) 4 mm cassettes will be 2 ¼-inch by 3-inch.
- (b) The tracks are 1 (one).
- (c) The density is 19 (61000 BPI).

- (d) The typical capacity is DDS (DAT data storage) at 1.3 Gb or 2 Gb, or DDS-2 at 4Gb.
- (e) The general specifications for 8mm cartridges will also apply to the 4 mm cassettes.
- .08** Various Quarter Inch Cartridges (QIC) (¼-inch) are also acceptable.
  - (a) QIC cartridges will be 4" by 6".
  - (b) QIC cartridges must meet the following specifications:

Size	Tracks	Density	Capacity
QIC-24	8/9	5 (8000 BPI)	45Mb or 60Mb
QIC-120	15	15 (10000 BPI)	120Mb or 200Mb
QIC-150	18	16 (10000 BPI)	150Mb or 250Mb
QIC-320	26	17 (16000 BPI)	320Mb
QIC-525	26	17 (16000 BPI)	525Mb
QIC-1000	30	21 (36000 BPI)	1Gb
QIC-2Gb	42	34 (40640 BPI)	2Gb

- (c) The general specifications that apply to 8mm cartridges will also apply to QIC cartridges.

### Sec. 5. 3 ½-inch Diskette Specifications

**IRS-MCC has discontinued processing 5 ¼ inch diskettes. Filers who use 5 ¼ inch diskettes must explore other methods by which to submit information returns magnetically. IRS-MCC has also discontinued processing non MS-DOS compatible diskettes.**

- .01** To be compatible, a diskette file must meet the following specifications:
  - (a) 3 ½-inches in diameter.
  - (b) Data must be recorded in standard ASCII code.
  - (c) Records must be a fixed length of 750 bytes per record.
  - (d) Delimiter character commas (,) must not be used.
  - (e) Positions 749 and 750 of each record have been reserved for use as carriage return/line feed (CR/LF) characters, if applicable.
  - (f) Filename of IRSTAX must be used. Do not enter any other data in this field. If a file will consist of more than one diskette, the filename IRSTAX will contain a three-digit extension. This extension will indicate the sequence of the diskettes within the file. For example, if the file consists of three diskettes, the first diskette will be named IRSTAX.001, the second will be IRSTAX.002, and the third will be IRSTAX.003. The first diskette, IRSTAX.001 will begin with a "T" Record and the third diskette, IRSTAX.003 will have an "F" Record at the end of the file.
  - (g) A diskette will not contain multiple files. (See Part A, Section 12, for definition of a file.)
  - (h) Failure to comply with instructions will result in media being returned for replacement.
  - (i) Diskettes must meet one of the following specifications:

Capacity	Tracks	Sides/Density	Sector Size
1.44 mb	96tpi	hd	512
1.44 mb	135tpi	hd	512
1.2 mb	96tpi	hd	512

- .02** IRS/MCC encourages transmitters to use blank or currently formatted diskettes when preparing files. If extraneous data follows the End of Transmission "F" Record, the file will be returned for replacement.

**Note: 3 ½-inch diskettes created on a System 36 or AS400 are not acceptable.**

- .03** Transmitters should check media for viruses before submitting it to IRS/MCC.

### Sec. 6. Transmitter "T" Record - General Field Descriptions

- .01** The Transmitter "T" Record identifies the entity transmitting the magnetic media file and contains information which is supplied on the Form 4804, Transmittal of Information Returns Magnetically/Electronically. The "T" Record has been created to facilitate current magnetic/ electronic processing of information returns at IRS/MCC with an eventual goal of paperless filing.
- .02** The Transmitter "T" Record is the first record on each file and is followed by a Payer "A" Record. See Part A, Sec. 12, Definition of Terms, for the definition of file. A file will be returned to the transmitter for replacement if the "T" Record is not present. For transmitters with multiple diskettes, refer to Part B. Sec. 5. 01 (f).
- .03** No money or payment amounts are reported in the Transmitter "T" Record.

**.04** For all fields marked “**Required**”, the transmitter must provide the information described under Description and Remarks. For those fields not marked “**Required**”, a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated field positions(s) and for the indicated length.

**.05 All records must be a fixed length of 750 positions.**

**.06** The Transmitter “T” Record must be followed by the Payer “A” Record, which must be followed with Payee “B” Records; however, the initial record on each file must be a Transmitter “T” Record.

**.07** All alpha characters entered in the “T” Record must be upper-case.

**.08** When transmitting information on magnetic media, the Transmitter “T” Record must precede the first Payer “A” Record and reflect the person actually transmitting the information to IRS/MCC.

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Record Name: Transmitter “T” Record

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Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “T.”
2–5	Payment Year	4	<b>Required.</b> Enter the 4 digit year in which the contract is signed.
6	Type of Return	1	<b>Required.</b> Enter “G”.
7–15	Transmitter’s TIN	9	<b>Required.</b> Must be the valid nine digit number TIN assigned by IRS to the Federal Executive Agency. Do not enter hyphens or alpha characters. All zeros, ones, twos, etc. will have the effect of an incorrect TIN.
16–20	Transmitter Control Code	5	<b>Required.</b> Enter the five character alpha/numeric Transmitter Control Code (TCC) assigned by IRS/MCC. A TCC must be obtained to file data within this program.
21–22	Replacement Alpha Character	2	<b>Required for replacement files only.</b> Enter the alpha/numeric character with ppears immediately following the TCC number on the Media Tracking Slip (Form 9267). The Form 9267 accompanies media that has been returned by IRS/MCC due to processing problems. This field must be blank unless media has been returned. If the file is being replaced magnetically, information is required in this field. Left justify information and fill unused positions with blanks. If this is not a replacement file, <b>enter blanks.</b>
23–29	Blank	7	<b>Enter blanks.</b>
30–69	Transmitter Name	40	<b>Required.</b> Enter the name (in the manner in which it is used in normal business) of the transmitter. If someone other than the Federal Agency is transmitting data, enter the name of the transmitter. The name of the transmitter <b>must</b> be consistent through the entire file. <b>Left-justify information</b> and fill unused positions with blanks.
70–109	Transmitter Name (Continuation)	40	Enter any additional information that may be part of the name. Left justify information and fill unused positions with blanks.

**NOTE: All the information “Required” in Field Positions 110 thru 280 MUST contain the address information where media, which IRS/MCC was unable to process, is to be returned. Any correspondence relating to problem media will also be sent to this address.**

110–149	Agency Name	40	<b>Required.</b> Enter the name of the agency to be associated with the address where correspondence should be sent or media should be returned due to processing problems.
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Record Name: Transmitter "T" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
150–189	Agency Name (Continuation)	40	Enter any additional information that may be part of the name of the company where correspondence should be sent or media should be returned due to processing problems.
190–229	Agency Mailing Address	40	<b>Required.</b> Enter the mailing address where correspondence should be sent or media should be returned in the event IRS/MCC is unable to process.
230–269	Agency City	40	<b>Required.</b> Enter the city, town, or post office where correspondence should be sent or media should be returned in the event IRS/MCC is unable to process.
270–271	Agency State	2	<b>Required.</b> Enter the valid U. S. Postal Service state abbreviation for states. Refer to the chart of valid state codes in Part A, Sec.13.
272–280	Agency ZIP Code	9	<b>Required.</b> Enter the valid nine digit ZIP Code assigned by the U. S. Postal Service. If only the first five digits are known, left justify information and fill unused positions with blanks
281–303	Blank	23	<b>Enter blanks.</b>
304–343	Contact Name	40	<b>Required.</b> Enter the name of the person to be contacted if IRS/MCC encounters problems with the file.
344–358	Contact's Phone Number & Extension	15	<b>Required.</b> Enter the telephone number of the person to contact regarding magnetic files. Omit hyphens. If no extension is available, left justify information and fill unused positions with blanks. For example, the IRS/MCC Call Site phone number of 304-263-8700 with an extension of 52345 would be 304263870052345.
359–360	Magnetic Tape File Indicator	2	<b>Required for magnetic tape/tape cartridge filer only.</b> Enter the letters "LS" (in uppercase only). Use of this field by filers using other types of media will be acceptable but is not required. Otherwise, <b>enter blanks.</b>
361–748	Blank	388	<b>Enter blanks.</b>
749–750	Blank	2	<b>Enter blanks,</b> or carriage return/line feed (CR/LF) characters.

Sec. 7 Transmitter "T" Record - Record Layout

Record Type	Payment Year	Type of Return	Transmitter's TIN	Transmitter Control Code	Replacement Alpha Character
1	2–5	6	7–15	16–20	21–22

Blank	Transmitter Name	Transmitter Name (Contd.)	Agency Name	Agency Name (Contd.)	Agency Mailing Address
23–29	30–69	70–109	110–149	150–189	190–229

  

Agency City	Agency State	Agency ZIP Code	Blank	Contact Name	Contact's Phone Number & Extension
230–269	270–271	272–280	281–303	304–343	344–358

  

Magnetic Tape File Indicator	Blank	Blank or CR/LF
359–360	361–748	749–750

## Sec. 8. Payer “A” Record - General Field Descriptions

**.01** The Payer “A” Record identifies the payer of the file and provides parameters for the succeeding Payee “B” Records. IRS computer programs rely on the absolute relationship between the parameters and data fields in the “A” Record and the data fields in the “B” Record to which they apply.

**.02 All records must be a fixed length of 750 positions.**

**.03** An “A” Record may be blocked with “B” Records; however, the initial record on a file must be a Transmitter “T” Record followed by a Payer “A” Record. IRS/MCC will accept an “A” Record after a “C” Record.

**.04** The number of “A” Records appearing on the media will depend on the number of agencies being reported. A separate “A” Record is required for each agency followed by the Payee “B” Records for the agency. Each set of “B” Records is followed by a summary “C” Record. If more than one agency is being reported on a tape or diskette, an “A” Record may follow a “C” Record (i.e., The “A”, “B”, and “C” Records for one agency may be followed by “A”, “B”, and “C” Records for the next agency, etc.).

**.05** All alpha characters entered in the “A” Record should be uppercase.

**.06** Do not begin any record at the end of a block or diskette and continue the same record into the next block or diskette.

**.07** For all fields marked **“Required”**, the transmitter must provide the information described under Description and Remarks. For those fields not marked **“Required”**, a transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated media position(s) and for the indicated length.

Record Name: Payer “A” Record			
Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “A.”
2–5	Payment Year	4	<b>Required.</b> Enter the 4 digit year in which the contract is signed.
6–11	Blank	6	<b>Enter blanks.</b>
12–20	Payer’s TIN	9	<b>Required.</b> Must be the valid nine digit Taxpayer Identification Number assigned to the Federal Executive Agency. <b>Do not enter blanks, hyphens, or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN.

Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
21–24	Payer Name Control	4	Generally, the Name Control is the first four characters of the payer's name. The word "the" should be disregarded when it is the first word of the name, unless the name contains only two words. <b>This field should be left blank if the name control is not determinable.</b>
25–26	Blank	2	<b>Enter blanks.</b>
27	Type of Return	1	<b>Required.</b> Enter "G".
28	Amount Indicator	1	<b>Required.</b> Enter "8".
29–47	Blank	19	<b>Enter blanks.</b>
48	Original File Indicator	1	<b>Required for original files only.</b> Enter "1" (one) if the information is original data. Otherwise, <b>enter a blank.</b>
49	Replacement File Indicator	1	<b>Required for replacement files only.</b> Enter "1" (one) if the purpose of this file is to replace a file that IRS/MCC returned to the transmitter due to errors encountered in processing. This is a file that has not been successfully processed by IRS. Otherwise, <b>enter a blank.</b>
50–51	Blank	2	<b>Enter blanks.</b>
52	Foreign Entity Indicator	1	Enter a "1" (one) if the payer is a foreign entity and income is paid by the foreign entity to a U.S. resident. If the payer is not a foreign entity, enter a blank.
53–92	First Payer Name Line	40	<b>Required.</b> Must be present or files will be returned for replacement. Enter the name of the Federal Agency whose TIN appears in positions 12–20 of the "A" Record. The name of the agency must be entered in the manner in which it is used in normal business. Any extraneous information must be deleted. Left justify information, and fill unused positions with blanks.
93–132	Second Payer Name Line	40	<b>Required.</b> Enter the name and title of the person to whom requests for an offset against any unpaid tax liability of the contractor can be sent. If necessary, please abbreviate.
133	Blank	1	<b>Enter blank.</b>
134–173	Payer Shipping Address	40	<b>Required.</b> Enter the address of the person to whom requests for an offset against any unpaid tax liability of the contract can be sent. The street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to a street address). Left justify and fill with blanks.

**For U.S. addresses,** the payer city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. **Filers must adhere to the correct format for the payer city state, and ZIP Code.**

**For foreign addresses,** filers may use the payer city, state, and ZIP Code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Entity Indicator in position 52 must contain a "1" (one).



Record Name: Payer "A" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
174–213	Payer City	40	<b>Required.</b> Enter the city of the person to whom requests for an offset against any unpaid tax liability of the contractor can be sent. Left justify and fill with blanks.
214–215	Payer State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states. Refer to the chart of valid state abbreviations in <b>Part A, Sec.13.</b>
216–224	Payer ZIP Code	9	<b>Required.</b> Enter the valid nine digit ZIP code assigned by the U.S. Postal Service. If only the first five digits are known, left justify information and fill the unused positions with blanks. .
225–239	Payer's Phone Number & Extension	15	Enter the payer's phone number and extension.
240–748	Blank	509	<b>Enter blanks.</b>
749–750	Blank	2	<b>Enter blanks</b> or carriage return/line feed (CR/LF) characters.

**Sec. 9. Payer "A" Record - Record Layout**

Record Type	Payment Year	Blank	Payer's TIN	Payer Name Control	Blank	Type of Return	Amount Indicator
1	2–5	6–11	12–20	21–24	25–26	27	28

Blank	Original File Indicator	Replacement File Indicator	Blank	Foreign Entity Indicator	First Payer Name Line
29–47	48	49	50–51	52	53–92

Second Payer Name Line	Blank	Payer Shipping Address	Payer City	Payer State	Payer ZIP Code	Payer's Phone & Extension
93–132	133	134–173	174–213	214–215	216–224	225–239

Blank	Blank or CR/LF
240–748	749–750

## Sec. 10. Payee “B” Record - General Field Descriptions

**.01** The Payee “B” Record contains payment information from the individual contracts. When filing information documents on magnetic media, the format for the Payee “B” Records will remain constant.

**.02 All records must be a fixed length of 750 positions.**

**.03** The following specifications include a field in the payee records called “Name Control” in which the first four characters of the payee’s surname are to be entered by the filer.

(a) If filers are unable to determine the first four characters of the surname, the Name Control Field may be left blank. Compliance with the following will facilitate IRS computer programs in identifying the correct name control:

- (1) The surname of the payee whose TIN is shown in the “B” Record should always appear first. If, however, the records have been developed using the first name first, the filer must leave a blank space between the first and last names.
- (2) In the case of multiple payees, only the surname of the payee whose TIN (SSN, EIN or ITIN) is shown in the “B” Record must be present in the First Payee Name Line. Surnames of any other payees may be entered in the Second Payee Name Line.

**.04** For all fields marked “**Required**”, the transmitter must provide the information described under Description and Remarks. For those fields not marked “**Required**,” the transmitter must allow for the field, but may be instructed to enter blanks or zeros in the indicated field position(s) and for the indicated length.

**.05** All alpha characters entered in the “B” Record should be uppercase.

**.06** Decimal points (.) cannot be used to indicate dollars and cents.

**.07 IRS strongly encourages filers to review data for accuracy before submission to facilitate the collection of delinquent federal tax liabilities from contractors. Filers should be especially careful that names, TINs and income amounts are correct.**

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### Record Name: Payee “B” Record

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Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter “B.”
2–5	Payment Year	4	<b>Required.</b> Enter the 4 digit year in which the contract is signed.
6	Blank	1	<b>Enter blank.</b>
7–10	Name Control	4	If determinable, enter the first four (4) characters of the surname of the person whose TIN is being reported in positions 12–20 of the “B” Record; otherwise, enter blanks. This usually is the contractor. Surnames of less than four (4) characters should be left-justified, filling the unused positions with blanks. Special characters and imbedded blanks should be removed. In the case of a business, other than a sole proprietorship, use the first four significant characters of the business name. Disregard the word “the” when it is the first word of the name, unless there are only two words in the name. A dash (–) and an ampersand (&) are the only acceptable special characters. Surname prefixes are considered part of the surname, e.g., for Van Elm, the name control would be VANE.

☞ **Note: Although extraneous words, titles, and special characters are allowed (i.e., Mr., Mrs., Dr., apostrophe [’], or dash [–]), this information may be dropped during subsequent IRS/MCC processing.**

The following examples may be helpful to filers in developing the Name Control:

Individuals:	Name	Name Control
	Jane <b>Brown</b>	BROW
	John A. <b>Lee</b>	LEE*
	James P. <b>En</b> , Sr.	EN*
	John <b>O’Neill</b>	ONEI
	Mary <b>Van Buren</b>	VANB

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
	Juan <b>De Jesus</b>		DEJE
	Gloria A. <b>El-Roy</b>		EL-R
	Mr. John <b>Smith</b>		SMIT
	Joe <b>McCarthy</b>		MCCA
	Pedro <b>Torres-Lopes</b>		TORR
	Maria <b>Lopez</b> Moreno**		LOPE
	Binh To <b>La</b>		LA*
	Nhat Thi <b>Pham</b>		PHAM
	Mark <b>D'Allesandro</b>		DALL
Corporations:			
	The <b>First</b> National Bank		FIRS
	<b>The Hideaway</b>		THEH
	<b>A &amp; B</b> Cafe		A&BC
	<b>11TH</b> Street Inc.		11TH
Sole Proprietor:			
	Mark <b>Hemlock</b> DBA		
	The Sunshine Club		HEML
Partnership:			
	Robert <b>Aspen</b>		
	and Bess Willow		ASPE
	Harold <b>Fir</b> , Bruce Elm,		
	and Joyce Spruce et al Ptr		FIR*
Estate:			
	Frank <b>White</b> Estate		WHIT
	Estate of Sheila <b>Blue</b>		BLUE
Trusts and Fiduciaries:			
	<b>Daisy</b> Corporation Employee		
	Benefit Trust		DAIS
	Trust FBO The <b>Cherryblossom</b>		
	Society		CHER
Exempt Organization:			
	<b>Laborer's</b> Union, AFL-CIO		LABO
	<b>St. Bernard's</b> Methodist		
	Church Bldg. Fund		STBE
*Name Controls of less than four (4) significant characters must be left-justified and blank-filled.			
**For Hispanic names, when two last names are shown for an individual, derive the name control from the first last name.			

11	Type of TIN	1	This field is used to identify the Taxpayer Identification Number (TIN) in positions 12–20 as either an Employer Identification Number (EIN), a Social Security Number (SSN), or an Individual Taxpayer Identification Number (ITIN). Enter the appropriate code from the following table:
	<b>Code</b>	<b>Type of TIN</b>	<b>Type of Account</b>
	1	EIN	A business, organization, sole proprietor, or other entity
	2	SSN	An individual, including a sole proprietor or

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
		2	ITIN An individual required to have a taxpayer identification number, but who is not eligible to obtain an SSN
		Blank	N/A If the type of TIN is not determinable, enter a blank.
12–20	Contractor's Taxpayer Identification Number (TIN)	9	<b>Required.</b> Enter the nine digit Taxpayer Identification Number of the contractor (SSN, ITIN, or EIN). If an identification number has been applied for but not received, <b>enter blanks. Do not enter hyphens or alpha characters.</b> All zeros, ones, twos, etc., will have the effect of an incorrect TIN. If the TIN is not available, enter blanks.
21–29	Common Parent's Taxpayer Identification Number (TIN)	9	<b>Required.</b> If applicable, enter the valid nine digit number assigned to the contractor's common parent; otherwise, enter blanks. (See Part A, Sec. 12, for a definition of Common Parent.) Do not enter hyphens or alpha characters. All zeros, ones, twos, etc. will have the effect on an incorrect TIN.
30–54	Blank	25	<b>Enter blanks.</b>
55–138	Zero	84	<b>Required.</b> Enter zeros.
139–150	Total Amount Obligated Under Contract	12	<b>Required.</b> The amount reported in this field represents Total Amount Obligated Under the Contract. The amount must be entered in U.S. dollars and cents. Dollar signs, commas, decimal points, or negative payments are not acceptable. Amount obligated must be right justified and unused positions must be zero filled.
151–198	Zero	48	<b>Required.</b> Enter zeros.
199–246	Blank	48	<b>Enter blanks.</b>
247	Foreign Country Indicator	1	<b>If the address of the payee is in a foreign country, enter a "1" (one) in this field;</b> otherwise, <b>enter blank.</b> When filers use this indicator, they may use a free format for the payee city, state, and ZIP Code. Address information must not appear in the First or Second Payee Name Lines.
248–287	First Payee Name Line	40	<b>Required.</b> Enter the name of the contractor (preferably surname first) whose Taxpayer Identification Number (TIN) was provided in positions 12-20 of the "B" Record. Left justify and fill unused positions with blanks. If more space is required for the name, utilize the Second Payee Name Line Field. If there are multiple payees, only the name of the payee whose TIN has been provided should be entered in this field. The names of the other payees may be entered in the Second Payee Name Line Field. If reporting information for a sole proprietor, the individual's name must always be present, preferably on the First Payee Name Line. The use of the business name is optional in the Second Payee Name Line Field.
288–327	Second Payee Name Line	40	If there are multiple payees, (e.g., partners or joint owners), use this field for those names not associated with the TIN provided in positions 12-20 of the "B" Record or if not enough space was provided in the First Payee Name Line, continue the name in this field (See <b>Note</b> ). <b>Do not enter address information.</b> It is important that filers provide as much payee information to IRS/MCC as possible to identify the payee associated with the TIN. Left justify and fill unused positions with blanks. <b>Fill with blanks if no entries are present for this field.</b>

Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
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**Note: End First Payee Name Line with a full word. Do not split words. Begin Second Payee Name Line with the next sequential word.**

**Note: If applicable, enter the business name of the sole proprietor in this field.**

328-367	Blank	40	<b>Enter blanks.</b>
368-407	Payee Mailing Address	40	<b>Required.</b> Enter mailing address of the contractor. Street address should include number, street, apartment or suite number (or P.O. Box if mail is not delivered to street address). Left justify information and fill unused positions with blanks. This field <b>must not</b> contain any data other than the payee's mailing address.

**For U.S. addresses,** the payee city, state, and ZIP Code must be reported as a 40, 2, and 9 position field, respectively. **Filers must adhere to the correct format for the payee city, state, and ZIP code.**

**For foreign addresses,** filers may use the payee city, state, and ZIP code as a continuous 51 position field. Enter information in the following order: city, province or state, postal code, and the name of the country. When reporting a foreign address, the Foreign Country Indicator in position 247 must contain a "1" (one).

408-447	Blank	40	<b>Enter blanks.</b>
448-487	Payee City	40	<b>Required.</b> Enter the city, town or post office. Left justify information and fill the unused positions with blanks. Enter APO or FPO if applicable. Do not enter state and ZIP code information in this field.
488-489	Payee State	2	<b>Required.</b> Enter the valid U.S. Postal Service state abbreviations for states or the appropriate postal identifier (AA, AE, or AP) described in Part A, Sec. 13.
490-498	Payee ZIP Code	9	<b>Required.</b> Enter the valid nine digit ZIP Code assigned by the U.S. Postal Service. If only the first five digits are known, left justify information and fill the unused positions with blanks. For foreign countries, alpha characters are acceptable as long as the filer has entered a "1" (one) in the Foreign Country Indicator, located in position 247 of the "B" Record.
499-544	Blank	46	<b>Enter blanks.</b>
545	Filing Quarter	1	<b>Required.</b> Enter quarter; i.e., 1, 2, 3, or 4. See the chart below to determine the appropriate quarter.

<u>Quarter</u>	
1	January, February, March
2	April, May, June
3	July, August, September
4	October, November, December

546-553	Blank	8	<b>Enter blanks.</b>
554-568	Contract Number	15	<b>Required</b> (if available). Enter the contract number assigned by the Federal assigned by the Federal Executive Agency. Left justify and fill the unused positions with blanks.
569	Blank	1	<b>Enter blank.</b>



Record Name: Payee "B" Record (Continued)

Field Position	Field Title	Length	Description and Remarks
570–573	Contract Modification Number	4	<b>Required</b> (if available). Enter the number assigned to the contract or order to designate a modification or termination. If this field is not utilized, enter blanks.
574	Blank	1	<b>Enter blank.</b>
575–589	Contract Office Order Number	15	<b>Required</b> (if available). Enter the number assigned by the contracting office. <b>Left justify and fill the unused positions with blanks.</b>
590	Blank	1	<b>Enter blank.</b>
591–594	Reporting Agency Code	4	<b>Required.</b> Enter the four digit agency and subagency code.
595	Blank	1	<b>Enter blank.</b>
596–600	Contract Office Number	5	<b>Required</b> (if available). Enter the number assigned by the Federal Executive Agency that identifies the purchasing or contracting office.
601	Blank	1	<b>Enter blank.</b>
602–609	Date of Contract Action	8	<b>Required.</b> Enter the date of the action. Use YYYYMMDD (e.g., 19990214).
610	Blank	1	<b>Enter blank.</b>
611–618	Contract Completion Date	8	<b>Required.</b> Enter the expected date of completion of contract such as the contract delivery date under the contract schedule. Use YYYYMMDD. <b>If completion date is not available, enter blanks.</b>
619–658	Name of Common Parent	40	<b>Required</b> (if applicable). If the contractor is a member of an affiliated group of corporations that files its income tax returns on a consolidated basis, enter the name of the common parent of the affiliated group. Name entered should match the EIN in positions 21–29. If this field is not utilized, <b>enter blanks.</b>
659–748	Blank	90	<b>Enter blanks.</b>
749–750	Blank	2	Enter blanks or carriage return line feed (CR/LF) characters.

Sec. 11. Payee "B" Record - Record Layout

Record Type	Payment Year	Blank	Name Control	Type of TIN	Contractor's Taxpayer Identification Number (TIN)
1	2–5	6	7–10	11	12–20

## Sec. 11. Payee “B” Record - Record Layout (Continued)

Common Parent's Taxpayer Identification Number (TIN)	Blank	Zero	Total Amount Obligated Under Contract	Zero	Blank	Foreign Country Indicator
21–29	30–54	55–138	139–150	151–198	199–246	247

  

First Payee Name Line	Second Payee Name Line	Blank	Payee Mailing Address	Blank	Payee City	Payee State	Payee ZIP Code	Blank
248–287	288–327	328–367	368–407	408–447	448–487	488–489	490–498	499–544

  

Filing Quarter	Blank	Contract Number	Blank	Contract Modification Number	Blank	Contract Office Order Number	Blank
545	546–553	554–568	569	570–573	74	575–589	590

  

Reporting Agency Code	Blank	Contract Office Number	Blank	Date of Contract Action	Blank	Contract Completion Date
591–594	595	596–600	601	602–609	610	611–618

  

Name of Common Parent	Blank	Blank or (CR/LF)
619–658	659–748	749–750

## Sec. 12. End of Payer “C” Record - General Field Descriptions and Record Layout

- .01 The End of Payer “C” Record is a fixed record length of 750 positions.**
- .02** The control total field is 18 positions in length.
- .03** The End of Payer “C” Record is a summary record for a given payer.
- .04** The “C” Record will contain the total number of payees and total of the payment amounts of a given payer. The “C” Record must be written after the last Payee “B” Record for a given payer. For each “A” Record and group of “B” Records on the file, there must be a corresponding “C” Record.
- .05** Payers/Transmitters should verify the accuracy of the totals since data with missing or incorrect “C” Records will be returned for replacement.

Record Name: End of Payer "C" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter "C."
2–9	Number of Payees	8	<b>Required.</b> Enter the total number of "B" Records covered by the preceding "A" Record. Right justify information and fill unused positions with zeros.
10–15	Blank	6	<b>Enter blanks.</b>
16–141	Zero	126	Enter zeros.
142–159	Control Total	18	<b>Required.</b> Enter the total amount paid to contractors for all contracts present in the preceding Payee "B" Records. <b>Right justify and zero fill.</b>
160–231	Zero	72	<b>Enter zeros.</b>
232–48	Blank	517	<b>Enter blanks.</b>
749-750	Blank	2	<b>Enter blanks,</b> or carriage return/line feed (CR/LF) characters.

End of Payer "C" Record - Record Layout

Record Type	Number of Payees	Blank	Zero	Control Total	Zero	Blank	Blank or CR/LF
1	2–9	10–15	16–141	142–159	160–231	232–748	740–750

Sec. 13. End of Transmission "F" Record - General Field Descriptions and Record Layout

**.01 The end of transmission "F" record is a fixed record length of 750 positions.**

**.02** The "F" Record is a summary of the number of payers in the entire file.

**.03** This record should be written after the last "C" Record of the entire file.

Record Name: End of Transmission "F" Record

Field Position	Field Title	Length	Description and Remarks
1	Record Type	1	<b>Required.</b> Enter "F."
2–9	Number o "A" Records	8	Enter the total number of Payer "A" Records in the entire file (right justify and zero fill) or enter all zeros.
10–30	Zero	21	Enter zeros.
31–748	Blank	718	<b>Enter blanks.</b>
749–750	Blank	2	<b>Enter blanks</b> or carriage return/line feed (CR/LF) characters.

End of Transmission "F" Record - Record Layout

Record Type	Number of "A" Records	Zero	Blank	Blank or CR/LF
1	2–9	10–30	31–748	749–750

## Part IV. Items of General Interest

Modification of Rev. Proc.  
65-17

Announcement 99-1

### BACKGROUND

Rev. Proc. 65-17, 1965-1 C.B. 833, has been in place for more than 30 years and has been amended, amplified and clarified, and modified. The Internal Revenue Service intends to update its position with respect to the extent to which taxpayers whose income has been adjusted under section 482 of the Internal Revenue Code may make certain adjustments to conform their accounts to reflect the section 482 allocation.

Included with this announcement is the proposed update of Rev. Proc. 65-17. The Service wishes to receive comments from interested members of the public prior to publishing the final update.

Comments (eight copies) should be sent to Associate Chief Counsel (International) CC:INTL:FO, Internal Revenue Service, 1111 Constitution Avenue, NW, Room 3501, Washington, DC, 20224, making reference in the comments to Control Number RP-114650-97. To ensure that comments are given full consideration, they should be submitted by April 12, 1999.

The proposed revenue procedure makes a number of changes to the Service position published in several administrative pronouncements. See Rev. Proc. 65-17, 1965-1 C.B. 833; Rev. Proc. 70-23, 1970-2 C.B. 505; Rev. Proc. 71-35, 1971-2 C.B. 573; Rev. Rul. 82-80, 1982-1 C.B. 89. Generally, the proposed changes reflect the current policy under sections 482 and 6662(e) to foster taxpayers' upfront compliance with the arm's length standard in transfer pricing.

Among the significant changes, first, entitlement to treatment under Rev. Proc. 65-17 is dependent on a finding by the Service that the pricing transaction did not have as one of its principal purposes the avoidance of Federal income tax. The factual nature of the tax avoidance standard causes significant difficulty for both taxpayers and the Service. In its place, the proposed revenue procedure simply

requires that the taxpayer not be subject to a penalty under section 6662(e)(1)(B) or (h) of the Code by reason of the primary adjustment. This change focuses the inquiry on the objective adequacy of the taxpayer's documentation.

Second, cash repatriation treatment is extended to adjustments initiated by taxpayers pursuant to section 1.482-1(a)(3) of the Treasury Regulations, including downward as well as upward adjustments. The Service believes it appropriate to make revenue procedure treatment available for taxpayer-initiated adjustments only if the taxpayer complies with certain information reporting requirements as explained in section 5.02 of the proposed revenue procedure. Taxpayer-initiated adjustments for the treatment under the revenue procedure would be subject to review and adjustment, and to possible imposition of the section 6662(e) or (h) penalty, by the Service upon examination.

Third, the proposed revenue procedure eliminates dividend offset treatment. Dividend offset treatment is inconsistent with the current policy under sections 482 and 6662(e) that taxpayers should strive upfront to price their related party transactions in compliance with the arm's length standard.

The legislative history of the Revenue Reconciliation Act of 1993, P.L. 103-66, § 13236, evidences Congress' concern "about any case where a taxpayer uses related party transfer prices or other arrangements with no apparent consideration as to whether the taxable income reported, and the tax paid, conforms with the standards made applicable under section 482." H.R. Rep. 103-111, 103d Cong., 1st Sess. 719-20 (1993), 1993-3 C.B. 295-96. Accordingly, Congress incorporated contemporaneous documentation requirements into the statute under section 6662(e) so that a section 482 adjustment that exceeds the threshold generally should not escape the penalty "unless the taxpayer can show that the return position was arrived at after bestowing a reasonable amount of attention to the issue." *Id.* Congress underlined the seriousness of its concern that all taxpayers should comply upfront with the arm's length standard by lowering the threshold

for imposition of the penalty as well as by establishing an alternative threshold based on gross receipts. *Id.* See also H.R. Rep. No. 103-213 (Conference Report), 103d Cong., 1st Sess. 648-650 (1993), 1993-3 C.B. 526-28. See also Treas. Reg. § 1.6662-6(d)(2)(iii) and (3)(ii).

For those taxpayers that can benefit, the existence of the possibility of a dividend offset lessens the incentive built into the section 482 and 6662(e) regulations to comply upfront and conform their transfer pricing to the arm's length standard in the first instance, since they are able to mitigate the tax effect of non-arm's length pricing by means of the dividend offset. Moreover, allowing a dividend offset arbitrarily and unfairly places a taxpayer that received a dividend in the year of the adjustment in a better position with respect to a net adjustment than a taxpayer that did not receive a dividend in the year of the adjustment.

Further, while Rev. Proc. 65-17 may have been viewed as a means for obtaining "relief" from the consequences of an incorrect pricing policy and a section 482 allocation, that notion is not reflected in the proposed revenue procedure. The treatment provided by the revenue procedure will be available to all taxpayers, not just the taxpayers that by happenstance are able to offset a dividend by a section 482 allocation. Taxpayers will still be able to repatriate the amount of a primary adjustment by an account receivable and then reduce future dividend distributions accordingly.

Fourth, the proposed revenue procedure clarifies that a foreign tax credit is allowed for any foreign withholding tax with respect to the repayment of the principal or interest on a cash repatriation account to the extent and subject to the limitations provided under section 901 of the Code. The taxpayer would be obligated to exhaust all effective and practical remedies, including invocation of competent authority procedures available under applicable tax treaties, with regard to the imposition of the foreign withholding tax and the repayment of the principal of the account would not of itself create any section 904 limitation. See generally Treas. Reg. §§ 1.901-2(e)(5), 1.904-6(a)(1)(iv).

## DRAFTING INFORMATION

The principal author of this announcement is W. Edward Williams of the Office of Associate Chief Counsel (International). For further information regarding this announcement contact Lisa G. Sams at (202) 874-1490 (not a toll-free call).

*26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.*  
(Also Part I, section 482.)

Rev. Proc. 99-##

### SECTION 1. PURPOSE.

This revenue procedure prescribes the applicable procedures for the repatriation of cash by a taxpayer via an interest-bearing account receivable or payable (the “account”) in an amount corresponding to the amount allocated to, or from, such taxpayer under section 482 of the Internal Revenue Code (the “Code”) from, or to, a related person. Under this revenue procedure, taxpayers whose income has been adjusted under section 482 of the Code are generally permitted to make certain adjustments to conform their accounts to reflect the section 482 allocation. The conditions for treatment under this revenue procedure are set forth in section 3, the adjustments to be made or allowed are described in section 4 (for Internal Revenue Service as well as taxpayer-initiated adjustments), and the prescribed procedures are set forth in section 5.

### SEC. 2. BACKGROUND AND SCOPE.

Section 482 of the Code gives the Internal Revenue Service authority to “distribute, apportion or allocate gross income, deductions, credits, or allowances” among certain related organizations, trades or businesses if it “determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income” of any such entity. Absent a taxpayer’s election of treatment under this revenue procedure, an adjustment under section 482 (the “primary adjustment”) entails secondary adjustments to conform a taxpayer’s accounts to reflect the primary adjustment. These secondary adjustments may result in adverse tax conse-

quences to the taxpayer. For example, an allocation of income under section 482 from a foreign parent corporation to its domestic subsidiary corporation would entail a deemed distribution from the domestic subsidiary to its foreign parent in an amount equal to the primary adjustment in the year for which the allocation is made. The deemed distribution would be treated as dividend income to the foreign parent to the extent of the earnings and profits of the domestic subsidiary, as recomputed after taking into account the primary adjustment. Under section 881 of the Code, the foreign parent would be subject to a 30-percent tax liability (as reduced by any applicable income tax treaty), and under section 1442 of the Code, the domestic subsidiary would be a withholding agent required to withhold the tax. See Rev. Rul. 82-80, 1982-1 C.B. 89; Treas. Reg. § 1.1441-2(e)(2). This revenue procedure allows the taxpayer to repatriate the cash attributable to a primary adjustment via an account without the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as the result of the primary adjustment.

Additionally, section 1.482-1(a)(3) of the Income Tax Regulations permits a controlled taxpayer to report an arm’s length result for controlled transactions based upon prices different from those actually charged. If the adjustment results in an increase in income, the increased income may be reported by the taxpayer at any time. If the adjustment results in a decrease in income (after appropriate accounting for section 1059A of the Code), the arm’s length result may be reported on a timely filed return (including extensions). A taxpayer can avail itself of the treatment provided by this revenue procedure to mitigate the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as a result of the taxpayer’s “self-initiated” primary adjustment. The taxpayer-initiated adjustment for the treatment provided under the revenue procedure will be subject to review and adjustment, and to possible imposition of the section 6662(e) or (h) penalty, by the Service upon examination.

This revenue procedure applies in situations where an adjustment is made under section 482 of the Code, as well as to ad-

justments made under sections 61 or 162 of the Code provided the adjustment could have been made under section 482 of the Code. All references in this revenue procedure to section 482 of the Code will be deemed to include sections 61 and 162 of the Code, except when the context or express language indicates or provides otherwise.

Any reference in this revenue procedure to an increase, or decrease, in taxable income shall also be deemed a reference, in an appropriate case, to a reduction, or increase, in a taxpayer’s loss.

Any reference in this revenue procedure to the Service shall be deemed a reference to the District Director of Internal Revenue Service or a reference to the Assistant Commissioner (International), depending on the office that has jurisdiction over the Federal income tax return filed for the taxable year for which the primary adjustment is made.

### SEC. 3. CONDITIONS FOR TREATMENT UNDER THIS REVENUE PROCEDURE.

A taxpayer shall qualify for the treatment provided in this revenue procedure only if it satisfies the conditions described in this section 3.

.01 The treatment provided in this revenue procedure is available if the taxable income of such taxpayer is adjusted by the Internal Revenue Service under section 482, or by the taxpayer pursuant to section 1.482-1(a)(3) of the regulations, and the taxpayer is not subject to a penalty under section 6662(e)(1)(B) or (h) of the Code by reason of the primary adjustment that is the basis for the treatment under this revenue procedure.

.02 A taxpayer shall not qualify under section 3.01, above, for the treatment provided in this revenue procedure if any part of any underpayment of tax by such taxpayer for the taxable year involved in the section 482 allocation is due to fraud.

### SEC. 4. ADJUSTMENTS TO BE MADE OR ALLOWED

.01 *Account, interest and payment.* If a taxpayer qualifying under section 3, above, complies with the requirements of section 5, below, such taxpayer may be permitted to establish an interest-bearing account receivable from, or payable to,



the related person from, or to, whom the section 482 allocation is made in an amount equal to the primary adjustment for each of the years in which an allocation is made. The account may be established and paid in accordance with this revenue procedure without the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as the result of the primary adjustment. The account shall:

1 be deemed to have been created as of the last day of the taxpayer's taxable year for which the primary adjustment is made;

2 bear interest at an arm's length rate, computed in the manner provided in section 1.482-2(a)(2) of the regulations, from the day after the date the account is deemed to have been created to the date of payment. The interest so computed shall be accrued and included in, or deducted (subject to applicable limitations) from taxable income for each taxable year during which the account is deemed outstanding;

3 must be paid within the 90-day period required in section 5, below. Payment must be in the form of money, a written debt obligation payable at a fixed date and bearing interest at an arm's length rate determined in the manner provided in section 1.482-2(a)(2) of the regulations, or an accounting entry offsetting such account against an existing debt between the taxpayer and the related person.

A foreign tax credit shall be allowed for any foreign withholding tax with respect to the repayment of the principal or interest of the account to the extent and subject to the limitations provided under section 901 of the Code. See Treas. Reg. §§ 1.901-2(e)(5) and 1.904-6(a)(1)(iv).

.02 *Primary adjustment not affected.* A taxpayer's election to avail itself of the provisions of this revenue procedure shall in no way affect the primary adjustment under section 482 of the Code. Such election shall, however, affect the taxpayer's taxable income and credits to the extent indicated by section 4.01 above, and eliminate the collateral effects of secondary adjustments described in section 2 above.

## SEC. 5. PROCEDURES TO BE FOLLOWED.

.01 *Cases pending with the Internal Revenue Service.*

1 If a United States taxpayer whose income has been adjusted by the Internal Revenue Service pursuant to section 482 of the Code desires to avail itself of the treatment provided in section 4, above, it must file a request in writing with the Service before closing action is taken on the primary adjustment. The request shall be signed by a person having the authority to sign the taxpayer's Federal income tax returns, and shall contain the following:

(a) A statement that the taxpayer desires the treatment provided by section 4 of this revenue procedure and the years for which the treatment is requested;

(b) A description of the arrangements or transactions, or the terms thereof, which gave rise to the primary adjustment;

(c) A statement that the applicable conditions set forth in section 3 are met, and that the taxpayer will cooperate fully with the Service in providing evidence supporting such statement;

(d) An offer to enter into a closing agreement under section 7121 of the Code as provided in section 5.013, below.

2 The Service will determine whether the taxpayer qualifies for the requested treatment and inform the taxpayer of its decision.

3 If the Service concludes that section 4 of this revenue procedure properly applies, and if the amount of the primary adjustment has been agreed upon, the taxpayer will be requested to enter into a closing agreement under section 7121 of the Code, establishing for each year involved:

(a) The amount of the primary adjustment;

(b) The amount of the account which the taxpayer elects to establish under section 4.01, above;

(c) The amount of the interest on the account includible in income, or deductible, pursuant to section 4.01, above;

(d) The amount of any foreign tax credit that taxpayer will claim under section 901 of the Code with respect to payment of the principal or interest on an account established pursuant to section 4.01, above;

(e) The manner of payment of the account pursuant to section 4.01, above, and the taxpayer's right to receive or make

such payment free of the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as the result of the primary adjustment, provided such payment is made within 90 days after execution of the closing agreement on behalf of the Commissioner.

.02 *Cases of a taxpayer reporting an adjustment pursuant to section 1.482-1(a)(3) of the regulations.* If a United States taxpayer that has increased or decreased its taxable income pursuant to section 482 and section 1.482-1(a)(3) of the regulations desires to avail itself of the treatment provided in section 4, above, it must file a statement with its Federal income tax return reporting the primary adjustment. The statement shall contain the following:

1 A statement that the taxpayer desires the treatment provided by section 4 of this revenue procedure for the years indicated;

2 A description of the arrangements or transactions, or the terms thereof, which gave rise to the primary adjustment;

3 A statement that the applicable conditions set forth in section 3 are met, and that the taxpayer will cooperate fully with the Service in providing evidence supporting such statement;

4 The amount of the primary adjustment;

5 The amount of the account which the taxpayer elects to establish under section 4.01, above;

6 The amount of interest on the account includible in income, or deductible, pursuant to section 4.01, above, and the years of such inclusion or deduction;

7 The amount of any foreign tax credit that taxpayer will claim under section 901 of the Code with respect to payment of the principal or interest on an account established pursuant to section 4.01, above;

8 The manner of payment of the account pursuant to section 4.01, above, which shall be free of the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as the result of the primary adjustment, provided such payment is made within 90 days of the date on which the taxpayer files the return reporting the primary adjustment.

.04 *Cases pending before the Tax Court of the United States.* If a case reaches trial status in the Tax Court and it is determined that the taxpayer is entitled to the treatment provided in section 4, above, the parties may stipulate or otherwise arrange with the Court so that any adjustment in tax for the years before the Court will reflect the application of section 4, above, provided the taxpayer executes the required closing agreement.

.05 *Cases within the jurisdiction of the Department of Justice.* If a taxpayer files with the Service a request for treatment under section 4, above, with respect to a case within the jurisdiction of the Department of Justice, the Service, through its Chief Counsel, will recommend to the Department of Justice the action to be taken with respect to the taxpayer's request.

#### SEC. 6. EFFECTIVE DATE.

This revenue procedure is effective for taxable years beginning after [ENTER DATE OF PUBLICATION OF THIS REVENUE PROCEDURE AS A FINAL DOCUMENT].

#### SEC. 7. EFFECT ON OTHER DOCUMENTS.

Rev. Proc. 65-17, 1965-1 C.B. 833, as amended by Rev. Proc. 65-17 (Amend. I), 1966-2 C.B. 1211 and Rev. Proc. 65-17 (Amend. II), 1974-1 C.B. 411, is superseded. Rev. Proc. 70-23, 1970-2 C.B. 505, Rev. Proc. 71-35, 1971-2 C.B. 573, Rev. Proc. 72-53, 1972-2 C.B. 833 and Rev. Rul. 82-80, 1982-1 C.B. 89, are superseded. Rev. Proc. 72-22, 1972-1 C.B. 747, and Rev. Rul. 69-630, 1969-2 C.B. 112 are modified and the references to Rev. Proc. 65-17 therein shall be treated as references to this revenue procedure. The references to Rev. Proc. 65-17 in Rev. Proc. 65-31, 1965-2 C.B. 1024, Rev. Proc. 68-16, 1968-1 C.B. 770, Rev. Proc. 72-46, 1972-2 C.B. 827, Rev. Proc. 72-48, 1972-2 C.B. 829, Rev. Proc. 89-8, 1989-1 C.B. 778, Rev. Proc. 96-13, 1996-1 C.B. 616, Rev. Proc. 96-14, 1996-1 C.B. 626, and Rev. Proc. 96-53, 1996-2 C.B. 375, shall be treated as references to this revenue procedure.

#### SEC. 8. DRAFTING INFORMATION.

The principal author of this Revenue Procedure is W. Edward Williams of the

Office of the Associate Chief Counsel (International). For further information on this revenue procedure, contact Lisa G. Sams at 202-874-1490 (not a toll-free call) or write to CC:INTL:Br6, Room 3319, 950 L'Enfant Plaza South, S.W., Washington, D.C. 20024.

#### SEC. 9. PAPERWORK REDUCTION ACT

The collections of information contained in this revenue procedure will be submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act (44 U.S.C. 3507(c)).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collection of information in this revenue procedure is in section 5. This information is required to determine whether a taxpayer that has made a primary adjustment under section 482 of the Code will be permitted to make certain adjustments to conform their accounts to reflect the section 482 allocation. The collections of information are required for a taxpayer to obtain the Commissioner's permission to repatriate the cash attributable to a primary adjustment via an account without the Federal income tax consequences of the secondary adjustments that would otherwise be entailed as the result of the primary adjustment. The likely respondents are businesses or other for-profit institutions.

The estimated total annual reporting and/or recordkeeping burden is 1620.

The estimated annual burden per respondent/recordkeeper varies from 8 hours to 10 hours depending on individual circumstances, with an estimated average of 9 hours. The estimated number of respondents and/or recordkeepers is 180.

The estimated annual frequency of responses is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

## Payroll Deduction IRAs

### Announcement 99-2

This announcement relates to direct deposit to individual retirement accounts or annuities ("IRAs") by means of payroll deduction. As discussed in this announcement, employers may permit employees to contribute to traditional or Roth IRAs by direct deposit through payroll deduction. In addition, employees making direct deposits of deductible contributions to traditional IRAs may be able to adjust their Federal income tax withholding to receive a more immediate tax benefit from their contributions.

Many employers permit their employees to directly deposit all or a portion of their paychecks into checking or savings accounts maintained by financial institutions. Employers may also assist their employees in saving for retirement by means of direct deposit through payroll deduction to IRAs.

In the Conference Report to the Taxpayer Relief Act of 1997, Pub. L. 105-34, Congress indicated that "employers that choose not to sponsor a retirement plan should be encouraged to set up a payroll deduction system to help employees save for retirement by making payroll deduction contributions to their IRAs." Congress encouraged the Secretary of the Treasury to "continue his efforts to publicize the availability of these payroll deduction IRAs." H.R. Rep. No. 220, 105th Cong., 1st Sess. 775 (1997).

As part of this continuing effort, employers that feel they are not currently in a position to sponsor a retirement plan are reminded that the introduction of Roth IRAs in 1998 presents an additional opportunity to facilitate employee retirement savings. As with traditional IRAs, amounts accumulated under Roth IRAs are exempt from Federal income tax, and contributions to Roth IRAs are subject to specific limitations. Unlike traditional IRAs, Roth IRA contributions cannot be deducted from gross income, but "qualified distributions" from Roth IRAs are excludable from gross income. For further information on Roth IRAs, see § 408A of the Internal Revenue Code and the proposed Income Tax Regulations thereunder.

In addition, employees and employers are reminded that some employees who

make deductible contributions to traditional IRAs (whether through payroll deduction or otherwise) may be able to adjust their Federal income tax withholding on account of these contributions. By adjusting their withholding, employees may not have to wait until they file their tax return to get the benefit of the tax deduction for their contributions. Employees can review the instructions on IRS Form W-4 (Employee's Withholding Allowance Certificate) and the worksheet on the back of that form to see if they are eligible for this withholding adjustment. Further information may be found in Publication 919 (Is My Withholding Correct for 1999?).

This announcement does not address the application of Title I of the Employee Retirement Income Security Act of 1974 to a system for direct deposit to IRAs by means of payroll deduction.

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## Optional Standard Mileage Rates for Employees, Self-Employed Individuals, and Other Taxpayers Used in Computing Deductible Costs

### Announcement 99-7

This announcement informs taxpayers that the Internal Revenue Service is postponing until April 1, 1999, the effective date of the 31 cents-per-mile rate established in Rev. Proc. 98-63, 1998-52 I.R.B. 25 (Dec. 28, 1998). The Service has decided to make this change because it understands that many employers and employees will require additional time to implement the new rate. Accordingly, the business standard mileage rate of 32.5 cents per mile set forth in Rev. Proc. 97-58, 1997-2 C.B. 587, continues to apply with respect to mileage allowances paid to an employee before April 1, 1999,

for transportation expenses paid or incurred before that date. The 32.5 cents-per-mile rate also continues to apply for purposes of computing the amount allowable as a deduction for business-related transportation expenses paid or incurred before April 1, 1999. All other provisions of Rev. Proc. 98-63 will be effective January 1, 1999.

### BACKGROUND

Rev. Proc. 98-63 supersedes Rev. Proc. 97-58 and, as published, lowers the rate to 31 cents per mile (from 32.5 cents per mile) for mileage allowances paid to an employee on or after January 1, 1999, with respect to transportation expenses paid or incurred on or after January 1, 1999, and, for purposes of computing the amount allowable as a deduction, for transportation expenses paid or incurred on or after January 1, 1999. The reduction in the rate was based on an annual study of the fixed and variable costs of operating an automobile conducted on behalf of the Service by an independent contractor. It has come to the attention of the Service that many employers and employees will require additional time to implement this new, lower rate. Without additional time, employers who normally reimburse business transportation expenses of employees at the standard rate, and who are unable to implement the lower rate by January 1, 1999, will need to treat the excess over 31 cents per mile as wages to the employee for federal employment tax purposes. Further, employees would be required to include such excess in gross income.

### MODIFICATION OF REV. PROC. 98-63

Rev. Proc. 98-63 is modified as follows:

(1) The first sentence of Section 1 of Rev. Proc. 98-63 is modified to read:

This revenue procedure updates Rev. Proc. 97-58, 1997-2 C.B. 587, by providing optional standard mileage rates for employees, self-employed individuals, or other taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes.

(2) Section 11 of Rev. Proc. 98-63 is modified to read:

Except as otherwise provided in this section, Rev. Proc. 97-58, 1997-2 C.B. 587, is hereby superseded for mileage allowances paid to an employee on or after January 1, 1999, with respect to transportation expenses paid or incurred on or after January 1, 1999, and, for purposes of computing the amount allowable as a deduction, for transportation expenses paid or incurred on or after January 1, 1999. Sections 2.01(1) and 5.01 of this revenue procedure are effective for mileage allowances paid to an employee on or after April 1, 1999, with respect to transportation expenses paid or incurred on or after April 1, 1999, and, for purposes of computing the amount allowable as a deduction, for business-related transportation expenses paid or incurred on or after April 1, 1999.

### DRAFTING INFORMATION

The principal author of this announcement is Edwin B. Cleverdon of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this announcement contact Mr. Cleverdon at (202) 622-4920 (not a toll-free call).



## Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

## Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.

Acq.—Acquiescence.

B—Individual.

BE—Beneficiary.

BK—Bank.

B.T.A.—Board of Tax Appeals.

C.—Individual.

C.B.—Cumulative Bulletin.

CFR—Code of Federal Regulations.

CI—City.

COOP—Cooperative.

Ct.D.—Court Decision.

CY—County.

D—Decedent.

DC—Dummy Corporation.

DE—Donee.

Del. Order—Delegation Order.

DISC—Domestic International Sales Corporation.

DR—Donor.

E—Estate.

EE—Employee.

E.O.—Executive Order.

ER—Employer.

ERISA—Employee Retirement Income Security Act.

EX—Executor.

F—Fiduciary.

FC—Foreign Country.

FICA—Federal Insurance Contribution Act.

FISC—Foreign International Sales Company.

FPH—Foreign Personal Holding Company.

F.R.—Federal Register.

FUTA—Federal Unemployment Tax Act.

FX—Foreign Corporation.

G.C.M.—Chief Counsel's Memorandum.

GE—Grantee.

GP—General Partner.

GR—Grantor.

IC—Insurance Company.

I.R.B.—Internal Revenue Bulletin.

LE—Lessee.

LP—Limited Partner.

LR—Lessor.

M—Minor.

Nonacq.—Nonacquiescence.

O—Organization.

P—Parent Corporation.

PHC—Personal Holding Company.

PO—Possession of the U.S.

PR—Partner.

PRS—Partnership.

PTE—Prohibited Transaction Exemption.

Pub. L.—Public Law.

REIT—Real Estate Investment Trust.

Rev. Proc.—Revenue Procedure.

Rev. Proc.—Revenue Ruling.

S—Subsidiary.

S.P.R.—Statements of Procedural Rules.

Stat.—Statutes at Large.

T—Target Corporation.

T.C.—Tax Court.

T.D.—Treasury Decision.

TFE—Transferee.

TFR—Transferor.

T.I.R.—Technical Information Release.

TP—Taxpayer.

TR—Trust.

TT—Trustee.

U.S.C.—United States Code.

X—Corporation.

Y—Corporation.

Z—Corporation.

## Numerical Finding List<sup>1</sup>

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<sup>1</sup> A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1998-1 through 1998-52 will be found in Internal Revenue Bulletin 1999-1, dated January 4, 1999.



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<sup>1</sup> A cumulative finding list for previously published items mentioned in Internal Revenue Bulletins 1998–1 through 1998–52 will be found in Internal Revenue Bulletin 1999–1, dated January 4, 1999.

## Notes

## Notes

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